



# **Michigan Transit Pool**

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**Financial Statements**  
**(and supplemental material)**  
Years Ended November 30, 2005 and 2004

# Michigan Transit Pool

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**MICHIGAN TRANSIT POOL**

## **ANNUAL FINANCIAL REPORT**

March 31, 2006

Board of Directors  
Michigan Transit Pool

Ladies and Gentlemen:

The Michigan Transit Pool is comprised of two trust funds:

- \*Liability Trust Fund
- \*Direct Property Damage Trust Fund

This Comprehensive Annual Financial Report is a combined report for both trust funds of the Michigan Transit Pool (MTP). The financial statements and schedules included with this report are contained in three sections. The first section is a combined statement of both trust funds. The remaining two sections contain statements and schedules for the two trust funds individually since all members do not participate in both trust funds. All members except for two participate in the Liability Trust Fund, thirty-two members participate in both funds, five members participate only in the Liability Trust Fund and two members participate only in the Direct Property Damage Trust Fund.

The Michigan Transit Pool-Liability Trust Fund (LTF) and the Michigan Transit Pool-Direct Property Damage Trust Fund (DPDTF) are the reporting entities for this report. The combined statements include all activities and costs applicable to the pool as a whole. The latter two sections report on all activities and costs applicable to the specific trust fund and include all open periods for the respective fund.

The Comprehensive Annual Financial Report of the MTP for the year ended November 30, 2005 is hereby submitted. Responsibility for both the accuracy of the data presented and the completeness of the presentation, including all disclosures, rests with the MTP.

We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operation of the MTP as measured by the financial activity of its various membership periods; and that all disclosures necessary to enable the reader to gain the maximum understanding of the Pool's financial affairs have been included.

### **I. MICHIGAN TRANSIT POOL**

#### **A. Pool Organization**

The MTP is an organization of public authorities and agencies providing public transportation services and is established by an Intergovernmental Agreement pursuant to the provisions of MCL Sections 124.1 et seq. As noted above the MTP consists of two trust funds providing different loss protection programs. The MTP-LTF administers a program of self-funding with risk sharing in the areas of automobile and general liability; and the MTP-DPDTF provides a program of self-funding with risk sharing plus catastrophic coverage in the area of direct property damage (collision and comprehensive coverage).

The MTP for each trust fund also provides support services such as administration and management, loss control services, risk management training, and financial reporting services.

The MTP-LTF began its operation on December 1, 1987 with 16 members, and as of November 30, 2005 had 40 members. In March of 1990 the MTP-DPDTF started with 12 members and as of November 30, 2005 there were 34 members. During 2005 one new member, Cadillac/Wexford Transit Authority joined both the MTP-LTF and the MTP-DPDTF.

The MTP is governed by the MTP Board of Directors and, in accordance with the Bylaws, is comprised of one representative of each member system. Each member system is entitled to one vote on the Board of Directors. The Board elects from its members a President, Vice-President, Secretary, and Treasurer. The above officers, along with five (5) elected Directors, comprise the Executive Committee of the MTP.

The 2004-2005 Board of Director's Executive Committee is as follows:

President	Robert Niemi, Marquette County Transit Authority
Vice-President	Janice Bauman, Isabella County Transportation Commission
Secretary	Charles Moser, Eastern Upper Peninsula Transportation Authority
Treasurer	Martin Mecher, Capital Area Transportation Authority
Director	Joseph DeKoning, Bay Area Transportation Authority
Director	David Hess, Kalamazoo Metro Transit
Director	Cameron McCollum, Jackson Transportation Authority
Director	Michael Stoner, Bay Metropolitan Transportation Authority
Director	Dennis Vannest, Gladwin City/County Transit

The MTP has engaged The ASU Group - Risk Management Services to manage, for both trust funds, all claims incurred by its members. Further ASU provides administrative support for both trust funds and financial management support for the DPDTF. All other matters are the direct responsibility of the Executive Committee of the MTP as established by the Intergovernmental Agreement, Bylaws, and Memorandum of Liability Coverage, Memorandum of Direct Property Damage Coverage and as directed by the Board of Directors.

## **B. Economic Condition and Outlook**

State and Federal operating assistance for public transportation has not kept pace with cost increases and the level of assistance varies from year to year. These realities make the goal of stable MTP member costs all the more imperative.

As MTP grows and matures, certain efficiencies of operation are achieved. Costs to the individual member are less because of the size of the exposure base. However, we must point out that not all systems that apply for membership/coverage are allowed to join. Some systems have been deemed to be an unacceptable risk. MTP members have a strong commitment to the self-insurance/pooling concept and it is unlikely that the conventional insurance market will ever be a serious threat to the stability of MTP membership.

## **C. Financial Management and Control**

The financial statements have been prepared in conformity with generally accepted accounting principles and necessarily include amounts based upon reliable estimates and judgments. The Pool's books are maintained on a full accrual basis in accordance with generally accepted accounting principles. A summary of significant accounting policies is discussed in more detail in the notes to the financial statements found in the financial section.

The financial statements have also been prepared for the year ended November 30, 2005 in full compliance with the Governmental Accounting Standards Board Statement No. 10. This statement went into effect for periods beginning after June 15, 1990 and establishes accounting and financial reporting standards for risk financing and insurance-related activities of public entity risk pools as well as state and local governments.

### **D. Internal Accounting Structure**

The MTP's accounting system is organized so that each membership year is accounted for and can be evaluated independently. The assets, liabilities, revenues and expenses of each year are reported separately on a full accrual basis. This financial reporting practice is necessary because the composition of the MTP's membership changes from year-to-year. As the MTP provides an additional coverage, a separate trust fund is created for financial control and reporting purposes.

The MTP Executive Committee is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal accounting controls are designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by the Executive Committee.

All internal control decisions are made within the above framework. The Executive Committee believes that the MTP's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### **E. Independent Audit**

BDO Seidman, LLP independent auditors, provide an objective, independent audit of the fairness of the MTP-LTF's & DPDTF's reported financial position and results of operation. Their unqualified opinion on the financial statements for the pool and both trust funds is included in the financial section of this report.

### **F. Actuarial Services**

Pacific Actuarial Consultants provides an independent actuarial review and opinion annually on the adequacy and reasonableness of the liabilities recorded for reported claims and loss adjustment expenses and Incurred But Not Reported (IBNR) claim reserves for the MTP-LTF. Each year the actuary also reviews the claims and reserves for the MTP-DPDTF and provides an opinion whether the reserves are appropriate.

### **G. Cash Management**

At its October 28, 1993 meeting the MTP Executive Committee approved the following investment policy:

#### *MTP INVESTMENT POLICY*

##### *Investment Goal*

*Stability and protection of principal with positive returns on an annual basis while exceeding the annual inflation rate.*

#### *Investment Guidelines*

*The portfolio should be invested entirely in short to intermediate maturity bonds and temporary Cash reserves. The average quality rating of the bonds should be Aa or better (Moody's Ratings). Individual bonds should have a minimum quality rating of A1. Unrated securities of the United States Treasury and United States Government agencies are permissible.*

#### *Maturity and Cash Flow Guidelines*

*The bond portfolio is to have an average maturity of 2 to 3 years with no single issue maturing in greater than 5 years. It is the funds' intent that three months cash flow (as advised by the MTP Treasurer) remain liquid.*

#### *Quality Review*

*If at any time an individual bond is rated less than A3, investment counsel shall contact the MTP Treasurer to advise the current rating and recommendation as to holding or disposal (sale) of the particular bond.*

#### *Annual Report*

*Each year, at the MTP annual meeting, the Treasurer shall submit a report, which lists each bond and its rating by Moody's Rating Service, Inc. as of the previous November 30.*

### **H. Pool Administration**

The MTP has retained the ASU Group, Risk Management Services to provide administrative support for the pool. The Pool's Treasurer provides all accounting services for the pool. Risk management services were obtained through a contract with the Moran Group.

## **II. MICHIGAN TRANSIT POOL-LIABILITY TRUST FUND**

This 2005 Comprehensive Annual Financial Report reflects eighteen (18) years of operation for the MTP-LTF.

### **A. Sharing Risk**

MTP members are located throughout the state from Ironwood, at the western end of the Upper Peninsula, to Coldwater at the southern border of Lower Michigan. Members are both rural and urban transit systems. Intuitively we know there is a difference in risk between urban and rural members. To objectively quantify this difference we use a factor based on passengers carried, miles traveled and hours operated by each member. This data is used to calculate the PMH Factors. The PMH factor is used to allocate administrative expenses and risk-shared losses among the members of the MTP-LTF.

Shown below are the number of members and the data, for each year, upon which the PMH factors are based.

<b>Policy Year</b>	<b>Number of Members</b>	<b>Passengers</b>	<b>Miles</b>	<b>Vehicles Hours</b>
1988	19	16,481,234	14,187,654	892,556
1989	22	14,748,588	15,106,898	931,406
1990	22	14,854,213	15,913,830	982,990
1991	23	15,629,296	17,017,756	1,032,743
1992	23	16,295,342	17,487,797	1,092,919
1993	26	17,234,077	18,526,807	1,127,084
1994	25	18,452,403	20,077,541	1,248,300
1995	27	20,843,010	22,545,491	1,402,704
1996	28	19,938,504	20,787,305	1,367,956
1997	28	18,514,064	21,664,742	1,357,534
1998	28	18,520,123	21,912,240	1,437,080
1999	28	19,262,455	22,515,307	1,551,651
2000	28	21,226,447	28,718,912	1,860,697
2001*	28	16,027,419	22,794,927	1,434,765
2002	30	17,983,996	24,949,003	1,632,287
2003	36	21,460,078	29,429,278	1,994,250
2004	39	22,930,002	31,416,528	2,034,650
2005	40	23,192,835	30,961,702	2,004,641

\* The decrease in Passengers, Miles, and Hours from 2000 to 2001 is due to the withdrawal of the Flint Mass Transportation Authority from full participation in the Liability Trust Fund. Number of members is the same due to a new member in 2001.

## **B. Claims Development**

Costs of the MTP-LTF are calculated and compared as a Cost Per Mile (CPM). Shown below, as of twelve (12) months of each policy period, are the Administrative Costs, Paid and Reserved Claims, and Incurred But Not Reported (IBNR) claims, and calculation of the CPM for each membership period of the MTP-LTF.

<u>Policy Year</u>	<u>Administrative Expenses</u>	<u>Paid &amp; Reserved Claims</u>	<u>IBNR Claims</u>	<u>Total Cost</u>
1988 Final	\$228,894	\$357,476	\$327,607	\$913,977
CPM	\$0.0161	\$0.0252	\$0.0231	\$0.0644
1989 Final	\$185,068	\$590,712	\$215,000	\$990,780
CPM	\$0.0123	\$0.0391	\$0.0142	\$0.0656
1990 Final	\$184,654	\$384,472	\$270,000	\$839,126
CPM	\$0.0116	\$0.0242	\$0.0170	\$0.0527
1991 Final	\$241,252	\$223,427	\$292,000	\$756,679
CPM	\$0.0142	\$0.0131	\$0.0172	\$0.0445
1992 Final	\$243,737	\$476,603	\$290,000	\$1,010,340
CPM	\$0.0139	\$0.0273	\$0.0166	\$0.0578
1993 Final	\$293,895	\$463,451	\$240,000	\$997,346
CPM	\$0.0159	\$0.0250	\$0.0130	\$0.0538
1994 Final	\$269,236	\$398,601	\$310,000	\$977,837
CPM	\$0.0134	\$0.0199	\$0.0154	\$0.0487
1995 Final	\$242,765	\$592,223	\$380,000	\$1,214,988
CPM	\$0.0108	\$0.0263	\$0.0169	\$0.0539
1996 Final	\$201,183	\$1,072,635	\$440,000	\$1,713,818
CPM	\$0.0097	\$0.0516	\$0.0212	\$0.0824
1997 Final	\$145,249	\$772,095	\$440,000	\$1,357,344
CPM	\$0.0067	\$0.0356	\$0.0203	\$0.0627
1998 Final	\$97,059	\$1,074,228	\$290,000	\$1,461,287
CPM	\$0.0044	\$0.0490	\$0.0132	\$0.0667
1999 Final	\$256,603	\$1,300,496	\$310,000	\$1,867,009
CPM	\$0.0114	\$0.0578	\$0.0138	\$0.0829
2000	\$372,988	\$1,196,783	\$285,798	\$1,855,569
CPM	\$0.0130	\$0.0417	\$0.0100	\$0.0547
2001	\$532,517	\$1,667,833	\$141,720	\$2,342,070
CPM	\$0.0233	\$0.0731	\$0.0062	\$0.1027
2002	\$831,190	\$3,803,057	\$256,037	\$4,890,284
CPM	\$0.0333	\$0.1524	\$0.0102	\$0.1960
2003	\$1,203,162	\$560,977	\$785,777	\$2,549,916
CPM	\$0.0409	\$0.0201	\$0.0267	\$0.0866
2004	\$1,165,176	\$596,164	\$626,318	\$2,387,658
CPM	\$0.0371	\$0.0190	\$0.0199	\$0.0760
2005	\$1,132,405	\$579,003	\$643,288	\$2,354,696
CPM	\$0.0366	\$0.0187	\$0.0208	\$0.0761

Shown below are claims costs as of twelve (12) months and current year-end, less any recoveries, for each membership period of the MTP-LTF.

	<u>As of Twelve Months</u>	<u>Current Year End</u>	<u>Net Development</u>	<u>Percent Development</u>
1988 Final	\$ 685,083	\$ 499,164	\$(185,919)	-27.1%
1989 Final	\$ 805,712	\$ 413,838	\$(391,874)	-48.6%
1990 Final	\$ 654,472	\$ 530,640	\$(123,832)	-18.9%
1991 Final	\$ 515,427	\$ 992,806	\$477,379	92.6%
1992 Final	\$ 766,603	\$1,326,730	\$560,127	73.0%
1993 Final	\$ 703,451	\$1,039,885	\$336,434	47.8%
1994 Final	\$ 708,601	\$1,034,889	\$326,288	46.0%
1995 Final	\$ 972,223	\$1,142,267	\$170,004	17.5%
1996 Final	\$1,512,635	\$1,005,543	\$(507,092)	-33.5%
1997 Final	\$1,212,095	\$ 838,393	\$(373,702)	-30.8%
1998 Final	\$1,364,229	\$1,496,743	\$132,568	9.7%
1999 Final	\$1,300,485	\$1,296,561	\$ ( 3,876)	-0.3%
2000	\$1,482,581	\$2,723,750	\$1,304,217	88.0%
2001	\$1,809,553	\$3,710,205	\$1,900,652	105.0%
2002	\$4,059,094	\$5,759,527	\$1,700,433	41.9%
2003	\$ 560,977	\$ 549,774	\$ (11,203)	-2.0%
2004	\$ 596,164	\$ 580,673	\$ (15,491)	-2.6%
2005	\$ 579,003	NA	NA	NA

Identifying the ultimate net cost of a particular claim is a difficult and imprecise practice. The Executive Committee, due to a concern with claim development costs of previous fiscal periods, requested our Third Party Claims Administrator to take a more aggressive position in establishing claims reserves. Our Actuary utilizes November 30th claims data to calculate IBNR reserves as of November 30 (fiscal period year end).

### **C. Reserves for Adverse Claims**

Each year the MTP-LTF, through Member Deposits and the retrospective adjustment process, funds all liabilities for paid claims, reserves, and reserves for incurred but not reported claims. The MTP Board of Directors has established a Contingency Reserve at a minimum of \$1,000,000. At year-end, November 30, 2005, this account had a balance of \$1,212,306. Contributions this year totaled \$15,794. In addition the Board has created a Restricted Reserve account, which has a balance of \$793,532 with contributions during 2005 of \$95,828. During 2005 the Board approved the establishment of a third reserve account called the Second Restricted Reserve Account. Those members who were charter members of the pool have satisfied all their obligations to the Contingency Reserve and Restricted

Reserve accounts. The new Second Restricted Reserve account will require continued deposits to the Restricted Reserve Account from members for eight years, beginning in 2005. Further members can deposit to a Premium Stabilization Account, which can be used by members to pay future deposits or retrospective billings. At November 30, 2005 the balance of this account was \$712,444.

As noted above all liabilities and obligations of each year of the pool is provided for each open year of the pool. The total balance at November 30, 2005 of the four reserve accounts detailed above was \$2,718,282. This is the total reserve available for any adverse claims over and above those amounts provided for the individual years.

## **D. Liability Trust Fund Investment Portfolio**

The Liability Trust Fund investment portfolio as of November 30, 2005 consisted of the following:

<b><u>Securities</u></b>	<b><u>Interest Due</u></b>	<b><u>Face</u></b>	<b><u>Market</u></b>	<b><u>Total</u></b>
	<b><u>Rate</u></b>	<b><u>Value</u></b>	<b><u>Value</u></b>	<b><u>Cost</u></b>
	<b><u>Date</u></b>			
<b><u>Government Treasury Bonds</u></b>				
US Treasury Notes	2.625%	\$250,000	\$239,766	\$245,000
US Treasury Notes	3.375%	\$250,000	\$242,891	\$247,612
US Treasury Notes	3.625%	\$250,000	\$243,359	\$250,438
US Treasury Notes	3.500%	\$250,000	\$242,188	\$251,618
<b><u>Government Agency Bonds</u></b>				
Fed Home Loan Bank	5.955%	\$200,000	\$200,530	\$203,600
Fed Natl Mtg Assn	4.375%	\$200,000	\$199,688	\$210,250
Fed Home Loan Mtg	3.500%	\$200,000	\$195,938	\$200,838
Fed Home Loan Bank	2.750%	\$250,000	\$239,453	\$248,674
Fed Natl Mtg Assn	3.250%	\$250,000	\$240,938	\$252,487
Fed Natl Mtg Assn	7.250%	\$250,000	\$273,203	\$281,861
Fed Natl Mtg Assn	4.125%	\$250,000	\$243,516	\$247,248
<b><u>Corporate Bonds - Industrial</u></b>				
McDonald's Corp MTN	5.375%	\$250,000	\$251,729	\$257,935
Wal-Mart Stores Inc	4.375%	\$250,000	\$248,787	\$254,500
BP/Amoco Co	6.500%	\$250,000	\$256,546	\$279,375
Abbott Laboratories	3.500%	\$200,000	\$192,327	\$200,730
Deere & Company	7.850%	\$250,000	\$278,597	\$284,055
<b><u>Corporate Bonds - Public Utilities</u></b>				
SBC Communications	4.125%	\$250,000	\$240,657	\$243,263
<b><u>Corporate Bonds - Finance &amp; Banks</u></b>				
AIG/Intl Lease Fin Corp	5.750%	\$200,000	\$201,144	\$211,750
JP Morgan Chase	5.350%	\$200,000	\$201,098	\$218,000
Goldman Sachs Group	4.125%	\$250,000	\$246,087	\$253,203
Bank of Amer Corp	3.250%	\$250,000	\$239,927	\$251,250
Credit Suisse First				
Boston	3.875%	\$250,000	\$241,872	\$254,375
National City Bank	4.150%	\$250,000	\$243,430	\$251,318
<b>Totals</b>	<b>5.070%</b>	<b>\$5,450,000</b>	<b>\$5,403,671</b>	<b>\$5,599,380</b>

In addition to the above, the Liability Trust Fund had equity of \$1,431,486 in money market funds.

### **E. Excess Coverage**

The Liability Trust Fund in recent years has entered into insurance treaties with companies providing excess insurance to cover claims costs that may exceed the pool's primary coverage amount of \$2,000,000 per occurrence. For the year ended November 30, 2005 the pool had an excess of loss reinsurance treaty with Max Reinsurance for an additional \$2 Million above the pool's primary \$2,000,000 layer. Further, the pool would be responsible for 10% of any claims cost above the \$2 Million up to the Pool's maximum \$4 Million limit.

During 2005 the Michigan Transit Pool along with the Ohio Transit Risk Pool undertook steps to create a captive insurance company in the state of Vermont to provide excess of loss reinsurance coverage for both entities. The company formed is Transit Reinsurance, Ltd. and beginning December 1, 2005 will provide excess of loss reinsurance coverage for both pools.

### **III. MICHIGAN TRANSIT POOL - DIRECT PROPERTY DAMAGE TRUST FUND**

This 2005 Comprehensive Annual Financial Report provides information on the sixteen (16) years the Direct Property Damage Trust Fund has been in existence.

#### **A. Sharing Risk**

MTP-DPDTF members are located throughout the state. As noted above during 2005 one new member joined the MTP-DPDTF. Exposure level is measured by the member's annual average net book value of vehicles. Shown below are the number of members and the total average net book values for each policy year. Administrative expenses and risk-shared losses are allocated to members based on their fleet's average net book value.

<b><u>Policy Year</u></b>	<b><u>Number of Members</u></b>	<b><u>Average Net Book Values</u></b>
1990	12	\$23,676,782
1991	14	\$26,881,163
1992	14	\$24,904,352
1993	16	\$28,463,252
1994	18	\$34,121,934
1995	19	\$40,888,849
1996	20	\$54,821,825
1997	20	\$52,840,835
1998	19	\$67,636,982
1999	20	\$63,426,790
2000	21	\$62,246,430

2001	24	\$63,963,477
2002	28	\$74,894,690
2003	32	\$93,710,499
2004	34	\$94,902,016
2005	35	\$97,794,661

## **B. Reserves for Adverse Claims**

Each year the MTP-DPDTF, through Member Deposits and the retrospective adjustment process, funds all liabilities for paid claims, and reserves. The MTP-DPDTF has excess insurance that will cover a per occurrence loss in excess \$100,000 to a maximum value of \$400,000 per vehicle. The MTP Board of Directors has established a Contingency Reserve at a minimum of \$50,000. For the year ended November 30, 2005 this account had a balance of \$84,901.

## **C. Direct Property Damage Trust Fund Investment Portfolio**

The Direct Property Damage Trust Fund investment portfolio as of November 30, 2005 consisted of the following:

<b><u>Securities</u></b>	<b><u>Interest Due Rate    Date</u></b>	<b><u>Face Value</u></b>	<b><u>Market Value</u></b>	<b><u>Total Cost</u></b>
<b><u>Government Treasury Bonds</u></b>				
US Treasury Notes	3.375% 02/15/08	\$25,000	\$24,457	\$24,790
US Treasury Notes	3.625% 07/15/09	\$25,000	\$24,336	\$25,044
<b><u>Government Agency Bonds</u></b>				
Fed Home Loan Bank	5.955% 02/01/06	\$25,000	\$25,066	\$25,450
Federal Natl Mtg Assn	3.250% 08/15/08	\$25,000	\$24,094	\$25,249
Fed Home Loan Bank	5.355% 01/05/09	\$25,000	\$25,469	\$26,203
<b><u>Corporate Bonds - Industrial</u></b>				
Wal-Mart Stores Inc	4.375% 07/12/07	\$25,000	\$25,450	\$25,450
BP/Amoco Co	6.500% 08/01/07	\$25,000	\$25,655	\$27,938
Abbot Laboratories	3.500% 02/17/09	\$25,000	\$24,041	\$25,091
<b><u>Corporate Bonds - Public Utilities</u></b>				
Southern Co/Alabama Power	7.125% 10/01/07	\$25,000	\$25,970	\$26,877
<b><u>Corporate Bonds - Finance &amp; Banks</u></b>				
Merrill Lynch MTNB	3.375% 09/14/07	\$25,000	\$24,349	\$24,789
Goldman Sachs Group Inc	4.125% 01/15/08	\$25,000	\$24,609	\$25,320
Banc One Corp	2.625% 06/30/08	\$25,000	\$23,644	\$24,563
National City Bank	4.150% 08/01/09	\$25,000	\$24,343	\$25,132
<b>Totals</b>	<b>5.119%</b>	<b>\$325,000</b>	<b>\$321,483</b>	<b>\$331,896</b>

In addition to the above, the Direct Property Damage Trust Fund had equity of \$727,969 in money market funds.



**BDO Seidman, LLP**  
Accountants and Consultants

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## **Independent Auditors' Report**

Members of the Executive Committee  
Michigan Transit Pool  
Okemos, Michigan

We have audited the accompanying basic financial statements of the Michigan Transit Pool (the Pool) as of and for the years ended November 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Pool's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Michigan Transit Pool as of November 30, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 15-18 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying financial information as listed under the heading Required Supplementary Information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*BDO Seidman, LLP*

Grand Rapids, Michigan  
March 17, 2006

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the year ended November 30, 2005

The Management's Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of the Michigan Transit Pool (MTP) for the year ended November 30, 2005. The MD&A is designed to assist readers of financial statements in focusing on significant financial activities and issues and to identify any significant changes. As this information is presented in summary form, it should be read in conjunction with the financial statements as a whole.

### **FINANCIAL HIGHLIGHTS**

The MTP remains financially stable despite the fact that federal and state operating assistance provided to its members has not kept pace with their cost increases. While the MTP experienced a slight decrease in net assets of \$11,406 or a 1.5% decrease, the MTP also experienced an increase in its combined Contingency and Restricted reserves of \$18,983 or 1.5%, including a Second Restricted Reserve established in 2005 into which additional member contributions will be made. The purpose of these reserves is to help offset major adverse claims that might be experienced in the future.

Overall revenues, underwriting revenue plus investment income, decreased from \$4.4 million in 2004 to \$2.6 million in 2005, a 42% decrease. Underwriting and administrative expenses, however, also decreased from \$4.3 million in 2004 to \$2.4 million in 2005, a 43.1% decrease.

- Underwriting revenues decreased approximately \$1,891,000 or 45.1%.
- Investment income increased approximately \$50,300 or 23.7%.
- Underwriting expenses decreased approximately \$1,903,300 or 46.7%
- Administrative expenses increased approximately \$61,200 or 28.6%

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplemental information and non-required supplemental information.

The basic financial statement is the proprietary fund, which tells how basic services were financed in the short term and what remains for future spending.

The financial statements also include notes that explain some of the more significant information contained within the statements and provide more detailed data. The notes are followed by a series of required supplemental information that further explains and supports the financial statements. The non-required supplemental information provides data relating to the basic services provided, and details of the two Trust Funds which comprise the MTP.

### **PROPRIETARY FUND STATEMENT**

The proprietary fund statements report information about the MTP as a whole using accounting methods similar to those used by private-sector companies. The balance sheet includes all of the Pool's assets and liabilities. The statements of revenues, expenses and changes in net assets accounts for all of the current year's revenues and expenses regardless of when cash is received or paid.

The net assets of the proprietary fund are reported in the balance sheet. Net assets – the difference between the MTP's assets and liabilities – are one way to measure the MTP's financial health or position. Over time, increases or decreases in the MTP's net assets are one indicator of whether its financial position is improving or deteriorating. To assess the overall health of the Authority, you must also consider additional factors such as changes in the MTP's net amount due from and to members, changes in its contingency and restricted reserves, and changes in reserves for claims. The MTP was established to provide loss protection programs to its members, and a portion of those premiums collected from its members not required for the payment of claims or other expenses may be returned to the members. A net retrospective refund or billing may also provide insight into the financial strength of the MTP.

## NET ASSETS

The MTP's total net assets at November 30, 2005 were \$772,320, a decrease of \$11,406 or 1.5%. Total assets decreased approximately \$1.9 million or 13.3% and total liabilities decreased approximately \$1.9 million or 14.0%.

### MICHIGAN TRANSIT POOL NET ASSETS (in thousands of dollars)

	As of November 30, 2005	2004	% Change
<b>ASSETS</b>			
Cash and investments	\$7,939	\$7,046	12.7%
Amounts due from members	4,130	6,887	-40.0%
Other current assets	113	123	-8.1%
<b>TOTAL ASSETS</b>	<u>12,182</u>	<u>14,056</u>	<u>-13.3%</u>
<b>LIABILITIES</b>			
Current liabilities	1,232	936	31.6%
Amounts due to members	4,001	3,366	18.8%
Reserves for claims	4,880	7,692	-36.6%
Contingency reserve	1,297	1,278	1.5%
<b>TOTAL LIABILITIES</b>	<u>11,410</u>	<u>13,272</u>	<u>-14.0%</u>
<b>NET ASSETS</b>			
Unrestricted net assets	<u>\$772</u>	<u>\$ 784</u>	<u>-1.5%</u>

## CHANGES IN NET ASSETS

The decrease in net assets in 2005 was \$11,406, compared to the \$15,344 decrease in 2004. (See table below.)

### MICHIGAN TRANSIT POOL CHANGES IN NET ASSETS (in thousands of dollars)

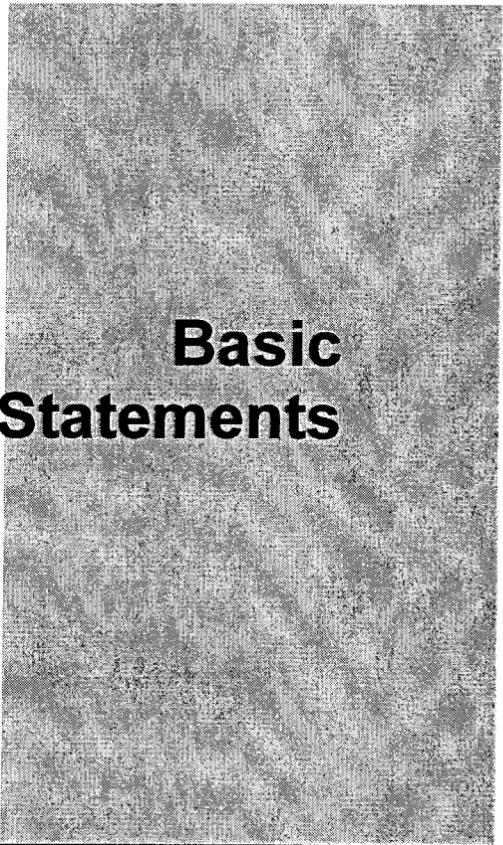
	As of November 30, 2005	2004	% Change
UNDERWRITING REVENUE			
Premium deposits	\$3,677	\$ 3,703	-.7%
Retrospective adjustments	-1,378	487	-383.0%
TOTAL UNDERWRITING REVENUE	2,299	4,190	-45.1%
UNDERWRITING EXPENSES			
Claims and Claims adj. Expenses	845	2,709	-68.8%
Excess insurance and reinsurance premiums	1,325	1,364	-2.9%
TOTAL UNDERWRITING EXPENSES	2,170	4,073	-46.7%
NET UNDERWRITING RESULTS	129	117	10.3%
INVESTMENT INCOME	262	212	23.6%
NET RESULTS	391	329	18.9%
ADMINISTRATIVE EXPENSES	271	214	26.6%
NET INCOME BEFORE UNREALIZED LOSS ON INVESTMENTS	120	115	4.4%
UNREALIZED LOSS ON INVESTMENTS	-132	-130	-1.5%
CHANGE IN NET ASSETS	-12	-15	20.0%
Total Net Assets, beginning	784	799	-1.9%
TOTAL NET ASSETS, ENDING	\$772	\$784	-1.5%

## **FACTORS BEARING ON THE POOL'S FUTURE**

At the time these financial statements were prepared and audited, the MTP was aware of one existing circumstance that could affect its financial health in the future. Funding to its members from the State of Michigan was based on the members receiving 32.43% of its eligible operating expenses for urban service and 38.43% of its eligible operating expenses for non-urban service from the State compared to 35.21% and 42.24%, respectively, in fiscal year 2004. Effective October 1, 2005, the rates of reimbursement were increased to 33.14% and 39.25%, respectively, still less than the rates of reimbursement received in 2002 and 2003. It is not possible for the MTP to accurately determine the impact this will have on its members.

## **CONTACTING THE POOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our members and other interested parties with a general overview of the finances of the Michigan Transit Pool and to demonstrate the MTP's accountability for the money it receives. If you have questions about this report or need additional information, contact the Michigan Transit Pool at 2120 University Park Drive, P.O. Box 77, Okemos, Michigan 48805.



**Basic  
Financial Statements**

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# Michigan Transit Pool

## Balance Sheets

November 30,	2005	2004
<b>Assets</b>		
Cash	\$ 53,109	\$ 19,644
Investments (Note 3)	7,884,606	7,025,933
Amounts due from members	4,130,416	6,886,564
Deposit with claims administrator	37,765	65,127
Accrued interest income	60,939	58,333
Accrued excess premiums	15,430	300
<b>Total Assets</b>	<b>\$ 12,182,265</b>	<b>\$ 14,055,901</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accrued liabilities	\$ 203,682	\$ 84,093
Premiums paid in advance	1,028,552	853,047
Amounts due to members:		
Retrospective refunds	2,495,185	1,911,050
Premium stabilization	712,444	756,531
Restricted reserves	793,532	697,704
Reserves for claims (Note 5):		
Reported claims	3,779,343	6,591,526
Incurred but not reported claims	1,100,000	1,100,000
Contingency reserve	1,297,207	1,278,224
<b>Total Liabilities</b>	<b>11,409,945</b>	<b>13,272,175</b>
<b>Net Assets</b>		
Unrestricted	772,320	783,726
<b>Total Liabilities and Net Assets</b>	<b>\$ 12,182,265</b>	<b>\$ 14,055,901</b>

See accompanying notes to financial statements.

# Michigan Transit Pool

## Statements of Revenues, Expenses and Changes in Net Assets

<i>Year ended November 30,</i>	<b>2005</b>	<b>2004</b>
<b>Underwriting Revenues</b>		
Premium deposits	\$ 3,677,308	\$ 3,703,108
Retrospective adjustments	(1,378,482)	486,718
<b>Total Underwriting Revenues</b>	<b>2,298,826</b>	<b>4,189,826</b>
<b>Underwriting Expenses</b>		
Claims and claims adjustment expenses, net of recoveries	844,908	2,708,676
Excess insurance and reinsurance premiums	1,324,945	1,364,465
<b>Total Underwriting Expenses</b>	<b>2,169,853</b>	<b>4,073,141</b>
<b>Net Underwriting Results</b>	<b>128,973</b>	<b>116,685</b>
<b>Investment Income</b>	<b>262,240</b>	<b>211,950</b>
<b>Net Results</b>	<b>391,213</b>	<b>328,635</b>
<b>Administrative Expenses</b>		
Risk management safety	4,185	3,864
Administrative services	47,075	52,539
Financial services	30,357	31,296
Investment broker fees	41,732	31,251
Financial audit	110,136	45,320
Actuarial services	8,000	7,000
Legal counsel	669	8,159
Bond	2,530	2,526
Supplies	3,211	1,585
Travel	9,606	9,607
Annual meeting costs	12,628	14,404
Interest expense	-	6,083
<b>Total Administrative Expenses</b>	<b>270,129</b>	<b>213,634</b>
<b>Unrealized Loss on Investments (Note 3)</b>	<b>(132,490)</b>	<b>(130,345)</b>
<b>Deficiency of Revenues Over Expenses</b>	<b>(11,406)</b>	<b>(15,344)</b>
<b>Net Assets, beginning of year</b>	<b>783,726</b>	<b>799,070</b>
<b>Net Assets, end of year</b>	<b>\$ 772,320</b>	<b>\$ 783,726</b>

*See accompanying notes to financial statements.*

# Michigan Transit Pool

## Statements of Cash Flows

<i>Year ended November 30,</i>	<b>2005</b>	<b>2004</b>
<b>Operating Activities</b>		
Cash received from premiums collected	\$ 5,743,792	\$ 4,896,878
Cash received from investment income	259,634	213,741
Cash payments for claims, claim adjusting expenses and excess insurance premiums, net of recoveries	(4,997,166)	(4,274,806)
Cash payments for administrative expenses	(150,540)	(202,010)
<b>Net Cash Provided by Operating Activities</b>	<b>855,720</b>	<b>633,803</b>
<b>Investing Activities</b>		
Purchase of investments	(3,078,989)	(2,202,903)
Proceeds from sale or maturity of investments	2,040,334	1,425,006
<b>Net Cash Used in Investing Activities</b>	<b>(1,038,655)</b>	<b>(777,897)</b>
<b>Capital and Related Financing Activities</b>		
Contingency and restricted reserves	114,811	38,418
Statutory surplus assessment	101,589	100,787
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>216,400</b>	<b>139,205</b>
<b>Net Increase (Decrease) in Cash</b>	<b>33,465</b>	<b>(4,889)</b>
<b>Cash, beginning of year</b>	<b>19,644</b>	<b>24,533</b>
<b>Cash, end of year</b>	<b>\$ 53,109</b>	<b>\$ 19,644</b>

# Michigan Transit Pool

## Statements of Cash Flows

<i>Year ended November 30,</i>	<b>2005</b>	<b>2004</b>
<b>Reconciliation of Deficiency of Revenues Over Expenses to</b>		
<b>Net Cash Provided by Operating Activities</b>		
Deficiency of revenues over expenses	\$ (11,406)	\$ (15,344)
Adjustments to reconcile deficiency of revenues over expenses to net cash provided by operating activities:		
Unrealized loss on investments	132,490	130,345
Loss on sale of investments	1,899	2,492
Amortization of bond premium	45,594	33,872
Statutory surplus assessment	(101,589)	(100,787)
Changes in operating assets and liabilities:		
Amounts due from members	2,756,148	(595,780)
Deposit with claims administrator	27,361	(6,139)
Accrued interest income	(2,606)	1,791
Accrued excess premiums	(15,130)	(122,429)
Accrued liabilities	119,589	11,624
Premiums paid in advance	175,505	166,249
Retrospective refunds	584,135	1,187,228
Premium stabilization	(44,087)	19,917
Reserves for claims	(2,812,183)	(79,236)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 855,720</b>	<b>\$ 633,803</b>

*See accompanying notes to financial statements.*

# Michigan Transit Pool

## Notes to Financial Statements

### 1. Organization

#### *Principles of Combination*

The financial statements include the accounts of the Liability Trust Fund and the Direct Property Damage Trust Fund of the Michigan Transit Pool (Pool), as required by the State of Michigan Office of Financial and Insurance Services. The accounts will be referred to as the Pool. All inter-company transactions have been eliminated.

#### *Michigan Transit Pool*

The Pool was established by certain members on December 1, 1987 pursuant to the provisions of MCL Sections 124.1 et seq. The Pool consists of both the Liability Trust Fund and the Direct Property Damage Trust Fund. The Liability Trust Fund was organized to provide no-fault and general liability coverage to its members. The Direct Property Damage Trust Fund was organized to provide direct property damage coverage (collision and comprehensive) to its members, effective March 1, 1990. These financial statements present the combination of the Direct Property Damage Trust Fund and the Liability Trust Fund as required by the State of Michigan Office of Financial and Insurance Services. Individual financial statements of each Trust Fund have been provided separately in this document and should be read in conjunction with these financial statements, as members of the Pool are not required to participate in both Trust Funds. Therefore, the membership participation of the Liability Trust Fund is not the same as that of the Direct Property Damage Trust Fund.

The Pool was established to provide vehicle and general liability insurance or other coverages which the Board of Directors may include in a loss protection program. In addition, the Pool serves to minimize the amount and frequency of losses and to decrease the costs incurred by its members in handling and litigating claims. Any eligible party joining the Pool must remain a member for a minimum of three years. After the initial three-year commitment, a member may withdraw from the Pool only at the end of any fiscal year by giving a six-month written notice. New members may be allowed entry upon approval of the Board of Directors. Additionally, the Pool maintains the right to cancel any member's participation upon a two-thirds vote of the entire Board of Directors.

# Michigan Transit Pool

## Notes to Financial Statements

Annual underwriting premiums of each Trust Fund are designed to cover the fiscal year budget of each loss protection program. The actual cost of each program is allocated to the members through retrospective adjustments. Each member is responsible for all losses falling within its selected retention level, plus its share of pooled losses and administrative expenses, less its share of investment income. During 1991, the Pool established the premium stabilization account which allows members to allocate a portion of their retrospective refund to cover potential retrospective billings in the future.

Separate accounts are maintained for each member, within each Trust Fund. The net investment results and administrative costs of the Liability Trust Fund are allocated to members on the basis of their passengers, miles and hours (hereafter referred to as PMH factor). The PMH factor is determined by giving equal weighting to an individual member's percentage of passengers, vehicle miles and vehicle hours. Underwriting results are allocated to members based on a combination of their PMH factor as well as their actual claim development experience. Underwriting results, net investment income and administrative costs of the Direct Property Damage Trust Fund are allocated to members in accordance with a cost allocation plan which is primarily based on each member's net book value, as defined, as a percentage of the total net book value of all participating members.

Each Trust Fund requires members to make a contingency reserve deposit which has been classified as a liability. Members made contributions of \$18,983 and \$17,598 for the years ended November 30, 2005 and 2004, respectively. The contingency reserve is established for potential significant claims and to protect each Trust Fund from member insolvency. Upon withdrawal, and after final resolution of all claims during the membership period, members are entitled to a return of their contingency reserve, as defined in the by-laws. Contributions to the contingency reserve are made for the first eight years of membership. Contributions made after that by members of the Liability Trust Fund are allocated to the restricted reserves. The restricted reserves may be utilized by these members to offset retrospective adjustments based upon specific defined criteria. Members made contributions of \$95,828 and \$20,820 to the restricted reserves in 2005 and 2004, respectively.

Beginning in 1999, all members are required to make an annual surplus contribution to each respective Fund, which will remain in the Pool as required by the State of Michigan Office of Financial and Insurance Services. Contributions for surplus equity have been classified as additional premiums, not subject to the retrospective adjustment calculation. There can be no guarantee that a member will be entitled to a return of this contribution upon withdrawal from the Pool. Aggregate contributions made to the Pool during 2005 and 2004 amounted to \$101,589 and \$100,787, respectively.

# Michigan Transit Pool

## Notes to Financial Statements

### 2. Summary of Significant Accounting Policies

#### *Basis of Presentation*

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for financial statements of governmental entities and insurance enterprises, where applicable. The Pool has adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

The Pool reports under Governmental Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* (GASB Statement No. 10). This statement generally requires public entity risk pools to follow the current accounting and financial reporting standards of an enterprise fund. Under GASB Statement No. 10, the enterprise funds comprise a public entity risk pool.

#### *Summary of Significant Account Policies*

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Pool applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, to the extent that they do not conflict with GASB pronouncements. The Pool has elected not to apply FASB statements issued after November 30, 1989.

#### *Use of Estimates*

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# Michigan Transit Pool

## Notes to Financial Statements

### *Investments*

Investments are reported at fair market value, as determined by the Pool's investment manager. Unrealized gains or losses on investments are recognized in the statements of revenues, expenses and changes in net assets.

### *Equipment*

Equipment is recorded at cost and consists primarily of computer equipment. Assets having a useful life in excess of one year and whose costs exceed \$1,000 are capitalized. Depreciation is computed by the straight-line method based on the estimated useful lives of the assets (3 to 5 years). Expenditures for maintenance and repairs are charged to expense as incurred, whereas major additions are capitalized.

### *Net Assets*

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

### *Reserves for Claims*

Each Trust Fund has established reserves for claims based on actuarial estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The recorded reserves for the Liability Trust Fund are discounted to reflect anticipated investment income of approximately 4.0% on funds held until payments become due. The evaluation of the reserve for incurred but not reported claims was based on each Trust Fund's own historical claims experience. As policy years mature, the reserves are adjusted to reflect actual experience. The length of time for which such costs must be estimated varies depending on the claim involved. Estimated amounts of salvage and subrogation and excess insurance and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claim costs are dependent on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities cannot yield an exact result, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current

# Michigan Transit Pool

## Notes to Financial Statements

estimates of actual claim costs that reflect recent settlements, claim frequency and other economic and social factors. While management and its actuary believe that recorded reserves are reasonable, the ultimate settlement of claims may vary significantly from the amounts previously provided.

### *Reinsurance and Excess Insurance*

The Liability Trust Fund uses a reinsurance agreement to reduce its exposure to large losses on personal injury medical claims in excess of \$350,000 and excess insurance for automobile and general liability claims in excess of \$2,000,000, up to an aggregate of \$4,000,000 to \$5,000,000 per occurrence depending on the member. In addition, aggregate excess coverage of \$5,000,000 is provided for claims in excess of the Pool's resources as provided by MCL 124.7, approximately \$12,000,000 at December 31, 2005. Prior to fiscal 2003, coverage was provided by the Fund for the first \$2,000,000 with excess insurance coverage provided up to \$6,000,000. The insurance policies permit recovery of a portion of losses from the carrier in excess of these limits, although they do not discharge the primary liability of the Liability Trust Fund as direct insurer of the risks insured. The Liability Trust Fund does not report excess insured risks as liabilities unless it is probable that those risks will not be covered by the respective carrier.

The Direct Property Damage Trust Fund uses excess insurance to reduce its exposure to individual comprehensive claims in excess of \$100,000 up to a maximum of 27,000,000. Any exposure by location in excess of these limits would be the responsibility of the member. The insurance policy permits the recovery of losses from the carrier in excess of \$100,000, but does not discharge the primary liability of the Direct Property Damage Trust Fund as direct insurer of the risks insured. The Direct Property Damage Trust Fund does not report excess insured risks as expenses and/or liabilities unless it is probable that those risks will not be covered by the carrier.

### *Underwriting Revenue*

Underwriting revenue consists of premiums deposited during the current policy year, adjusted for retrospective adjustments of the ultimate costs of the current and prior policy years.

### *Reclassification*

Certain amounts have been reclassified in 2004 to conform to the 2005 presentation. The reclassifications had no effect on total net assets.

# Michigan Transit Pool

## Notes to Financial Statements

### 3. Cash, Deposits and Investments

#### *Deposits*

Statutes require that certificates of deposit, savings accounts, depository accounts and depository receipts are made with banks doing and having a place of business in the State of Michigan and who are also members of a federal or national insurance corporation.

#### *Custodial Credit Risk Related to Deposits*

Custodial credit risk of deposits is the risk that in the event of a bank failure, the Pool's deposits might not be recovered. The Pool does not have a deposit policy for custodial credit risk. At November 30, 2005, the Pool's bank balance was \$55,588 of which no amount was exposed to custodial credit risk.

#### *Investments*

Statutes authorize the Pool to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services, bankers' acceptances of U.S. banks, United States government or federal agency obligation repurchase agreements, obligations of the State of Michigan or any of its political subdivisions rated as investment grade by not less than one standard rating service and mutual funds composed of the types of investment vehicles named previously.

#### *Interest Rate Risk*

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Pool does not have an investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At November 30, 2005, the Pool had the following investments and maturities:

# Michigan Transit Pool

## Notes to Financial Statements

Investment Type	Fair Value	Maturity	
		Less Than 1 Year	1-5 Years
Mutual Funds	\$ 2,159,455	\$ 2,159,455	\$ -
U.S. Treasury Bonds	1,016,997	-	1,016,997
Corporate Bonds	3,040,262	-	3,040,262
Government Agencies	1,667,892	25,066	1,642,826
<b>Total</b>	<b>\$ 7,884,606</b>	<b>\$ 2,184,521</b>	<b>\$ 5,700,085</b>

### *Credit Risk*

Credit Risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The Pool does not have an investment policy to mitigate credit risk. At November 30, 2005, the Pool had the following credit ratings:

Investment Type	Rating	Credit Exposure as a Percent of Total Investments
U.S. Treasury Bonds	AAA	12.9%
Corporate Bonds	AA	6.2
Corporate Bonds	AA+	3.6
Corporate Bonds	A	6.6
Corporate Bonds	A-	3.5
Corporate Bonds	AA-	5.5
Corporate Bonds	A+	13.1
Government Agencies	AAA	21.2
Mutual Funds	Not rated	27.4

### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of the Pool's investment in a single issuer. The Pool does not have an investment policy that limits the amount that may be invested in any one issuer. Excluding U.S. government guaranteed, mutual fund and pooled investments, no single investment exceeded 5% of total investments at November 30, 2005.

# Michigan Transit Pool

## Notes to Financial Statements

### *Custodial Credit Risk*

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the Pool will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The value of the Pool's investments subject to custodial credit risk was \$5,725,151 at November 30, 2005.

### 4. Internal Revenue Service Status

The Internal Revenue Service has determined in its letter dated September 29, 1989, that the Pool meets the requirements of Section 115 of the Internal Revenue Code and, accordingly, is exempt from federal income tax.

### 5. Reserves for Claims

As discussed in Note 2, each Trust Fund establishes a liability for both reported and unreported insured events which includes estimates of future payments of both losses and related loss adjustment expenses, net of anticipated recoveries from the excess insurance carrier. The following represents the changes in those aggregate liabilities for the Trust Funds during the years ended November 30, 2005 and 2004:

<i>Year ended November 30,</i>	<b>2005</b>	<b>2004</b>
<b>Reserves for Claims, beginning of year</b>	<b>\$7,691,526</b>	<b>\$7,770,762</b>
<b>Incurred Claims and Claim Adjustment Expenses</b>		
Provision for insured events of the current year	<b>1,321,019</b>	1,312,120
Increase (decrease) in provisions for insured events of prior years	<b>(476,111)</b>	1,396,557
<b>Total Incurred Claims and Claim Adjustment Expenses</b>	<b>844,908</b>	<b>2,708,677</b>
<b>Payments</b>		
Current year claims	<b>370,702</b>	252,836
Prior year claims	<b>3,286,389</b>	2,535,077
<b>Total Payments</b>	<b>3,657,091</b>	<b>2,787,913</b>
<b>Reserves for Claims, end of year</b>	<b>\$4,879,343</b>	<b>\$7,691,526</b>

# Michigan Transit Pool

## Notes to Financial Statements

### 6. Excess Insurance Claims

Claims incurred which are subject to recovery from the excess insurance carrier have been excluded from losses incurred and loss reserves when it is considered probable that the losses will be recovered from the carrier. Gross losses are recorded with a corresponding reduction for that portion of the loss expected to be recovered. There were no claims ceded to the excess insurance carrier by the Liability Trust Fund during 2005. During 2004, the Liability Trust Fund deducted \$300,000 from claims liabilities for claims ceded to the excess insurance carrier, and received \$1,416,618 in recoveries during the year. The total amount deducted from incurred losses during 2004 related to claims ceded to the excess carrier was \$1,716,618.

There were no claims ceded to the excess insurance carrier by the Direct Property Damage Trust Fund during 2005 or 2004.

### 7. Line of Credit

The Pool has a line of credit agreement which permits borrowings up to \$2,100,000 and bears interest at .5% below the prime rate, effectively 6.5% and 4.5% at November 30, 2005 and 2004, respectively. At November 30, 2005 and 2004 there were no amounts outstanding under the line of credit agreement.

During 2005, the Pool obtained a letter of credit agreement which permits borrowings up to \$300,000. At November 30, 2005, there were no amounts outstanding under the letter of credit agreement.

### 8. New Pronouncement

During 2005, the Pool adopted the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*.

### 9. Commitment

During 2005, the Pool entered into an agreement with the Ohio Transit Risk Pool to operate and participate in Transit Reinsurance, Ltd. (Corporation), a captive insurance company for excess of loss reinsurance coverage. The reinsurance will become effective December 1, 2005. The Pool committed \$300,000 through a letter of credit for the Pool's share of contributed surplus in accordance with the terms of the commitment letter between the Pool and the Corporation.

# **Supplemental Material**



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## **Independent Auditors' Report on Supplemental Material**

Our audits of the basic financial statements, as indicated in our independent auditors' report on pages 13-14, included in the preceding section of this report, were performed for the purpose of forming an opinion on those statements taken as a whole. The supplemental material presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements, and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*BDO Seidman, LLP*

Grand Rapids, Michigan  
March 17, 2006

	Liability Trust Fund	Direct Property Damage Trust Fund
<i>November 30,</i>		
<b>Assets</b>		
Cash	\$ 50,633	\$ 2,476
Investments at fair market value	6,835,154	1,049,452
Amounts due from members	4,103,548	26,868
Deposit with claims administrator	22,248	15,517
Accrued interest income	56,379	4,560
Accrued excess premiums	-	15,430
<b>Total Assets</b>	<b>\$ 11,067,962</b>	<b>\$ 1,114,303</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accrued liabilities	\$ 165,437	\$ 38,245
Premiums paid in advance	506,306	522,246
Amounts due to members:		
Retrospective refunds	2,325,490	169,695
Premium stabilization	712,444	-
Restricted reserve	793,532	-
Reserves for claims:		
Reported claims	3,779,343	-
Incurred but not reported claims	1,100,000	-
Contingency reserve	1,212,306	84,901
<b>Total Liabilities</b>	<b>10,594,858</b>	<b>815,087</b>
<b>Net Assets</b>		
Unrestricted	473,104	299,216
<b>Total Liabilities and Net Assets</b>	<b>\$ 11,067,962</b>	<b>\$ 1,114,303</b>

# Michigan Transit Pool

## Combining Balance Sheets

Totals	
2005	2004
\$ 53,109	\$ 19,644
7,884,606	7,025,933
4,130,416	6,886,564
37,765	65,127
60,939	58,333
15,430	300
<hr/>	
\$ 12,182,265	\$ 14,055,901

\$ 203,682	\$ 84,093
1,028,552	853,047
2,495,185	1,911,050
712,444	756,531
793,532	697,704
3,779,343	6,591,526
1,100,000	1,100,000
1,297,207	1,278,224
<hr/>	
11,409,945	13,272,175
772,320	783,726
<hr/>	
\$ 12,182,265	\$ 14,055,901

	Liability Trust Fund	Direct Property Damage Trust Fund
<i>Year ended November 30,</i>		
<b>Underwriting Revenues</b>		
Premium deposits	\$ 2,907,094	\$ 770,214
Retrospective adjustments	(1,235,655)	(142,827)
<b>Total Underwriting Revenues</b>	<b>1,671,439</b>	<b>627,387</b>
<b>Underwriting Expenses</b>		
Claims and claims adjustment expenses	751,368	93,540
Excess insurance and reinsurance premiums	924,596	400,349
<b>Total Underwriting Expenses</b>	<b>1,675,964</b>	<b>493,889</b>
<b>Net Underwriting Results</b>	<b>(4,525)</b>	<b>133,498</b>
<b>Investment Income</b>	<b>245,229</b>	<b>17,011</b>
<b>Net Results</b>	<b>240,704</b>	<b>150,509</b>
<b>Administrative Expenses</b>		
Risk management safety	4,185	-
Administrative services	47,075	-
Financial services	9,112	21,245
Investment broker fees	38,592	3,140
Financial audit	74,200	35,936
Actuarial services	6,000	2,000
Legal counsel	669	-
Bond	2,530	-
Supplies	3,211	-
Travel	9,606	-
Annual meeting costs	12,628	-
Interest expense	-	-
<b>Total Administrative Expenses</b>	<b>207,808</b>	<b>62,321</b>
<b>Unrealized Loss on Investments</b>	<b>(125,993)</b>	<b>(6,497)</b>
<b>Excess (Deficiency) of Revenues Over Expenses</b>	<b>(93,097)</b>	<b>81,691</b>
<b>Net Assets, beginning of year</b>	<b>566,201</b>	<b>217,525</b>
<b>Net Assets, end of year</b>	<b>\$ 473,104</b>	<b>\$ 299,216</b>

# Michigan Transit Pool

## Combining Statements of Revenues, Expenses and Changes in Net Assets

Totals	
2005	2004
\$ 3,677,308	\$ 3,703,108
(1,378,482)	486,718
<u>2,298,826</u>	<u>4,189,826</u>
844,908	2,708,676
<u>1,324,945</u>	<u>1,364,465</u>
<u>2,169,853</u>	<u>4,073,141</u>
128,973	116,685
<u>262,240</u>	<u>211,950</u>
<u>391,213</u>	<u>328,635</u>
4,185	3,864
47,075	52,539
30,357	31,296
41,732	31,251
110,136	45,320
8,000	7,000
669	8,159
2,530	2,526
3,211	1,585
9,606	9,607
12,628	14,404
-	6,083
<u>270,129</u>	<u>213,634</u>
<u>(132,490)</u>	<u>(130,345)</u>
(11,406)	(15,344)
<u>783,726</u>	<u>799,070</u>
<u>\$ 772,320</u>	<u>\$ 783,726</u>



# **Michigan Transit Pool - Liability Trust Fund**

**Annual Financial Report**  
Years Ended November 30, 2005 and 2004

# Michigan Transit Pool - Liability Trust Fund

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## Independent Auditors' Report

Members of the Executive Committee  
Michigan Transit Pool - Liability Trust Fund  
Okemos, Michigan

We have audited the accompanying financial statements of the Michigan Transit Pool - Liability Trust Fund (Fund) as of and for the years ended November 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Liability Trust Fund of the Michigan Transit Pool and are not intended to present fairly the financial position of the Michigan Transit Pool and the results of its operations and cash flows in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Michigan Transit Pool - Liability Trust Fund as of November 30, 2005 and 2004, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Claims Development Information on pages 18 and 19 and the supplemental material listed in the table of contents on pages 21 through 86 are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

The schedules of PMH Factors and Historical Data on pages 88 through 91 is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on such supplemental material.

*BDO Seidman, LLP*

Grand Rapids, Michigan  
March 17, 2006

# Financial Statements

# Michigan Transit Pool - Liability Trust Fund

## Balance Sheets

<i>November 30,</i>	2005	2004
<b>Assets</b>		
Cash	\$ 50,633	\$ 10,852
Investments at fair market value (Note 3)	6,835,154	6,360,726
Amount due from members	4,103,548	6,798,230
Deposit with claims administrator	22,248	63,027
Accrued interest income	56,379	55,580
	<b>11,067,962</b>	<b>13,288,415</b>
Property, plant and equipment		
Office equipment	12,700	12,700
Less accumulated depreciation	(12,700)	(12,700)
Net property, plant and equipment	-	-
<b>Total Assets</b>	<b>\$ 11,067,962</b>	<b>\$ 13,288,415</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accrued liabilities	\$ 165,437	\$ 65,598
Premiums paid in advance	506,306	595,114
Amounts due to members:		
Retrospective refunds	2,325,490	1,727,229
Premium stabilization	712,444	756,531
Restricted reserves	793,532	697,704
Reserves for claims (Note 5):		
Reported claims	3,779,343	6,583,526
Incurred but not reported claims	1,100,000	1,100,000
Contingency reserve	1,212,306	1,196,512
<b>Total Liabilities</b>	<b>10,594,858</b>	<b>12,722,214</b>
<b>Net Assets</b>		
Unrestricted	473,104	566,201
<b>Total Liabilities and Net Assets</b>	<b>\$ 11,067,962</b>	<b>\$ 13,288,415</b>

See accompanying notes to financial statements.

# Michigan Transit Pool - Liability Trust Fund

## Statements of Revenues, Expenses and Changes in Net Assets

<i>Year ended November 30,</i>	<b>2005</b>	<b>2004</b>
<b>Underwriting Revenues</b>		
Premiums deposits	\$ 2,907,094	\$ 3,029,219
Retrospective adjustments	(1,235,655)	589,607
<b>Total Underwriting Revenues</b>	<b>1,671,439</b>	<b>3,618,826</b>
<b>Underwriting Expenses</b>		
Claims and claims adjustment expenses, net of recoveries	3,555,552	2,710,798
Change in reserves for reported and incurred but not reported claims	(2,804,184)	(87,237)
Excess insurance and reinsurance premiums	924,596	989,032
<b>Total Underwriting Expenses</b>	<b>1,675,964</b>	<b>3,612,593</b>
<b>Net Underwriting Results</b>	<b>(4,525)</b>	<b>6,233</b>
<b>Investment Income</b>	<b>245,229</b>	<b>203,124</b>
<b>Net Results</b>	<b>240,704</b>	<b>209,357</b>
<b>Administrative Expenses</b>		
Risk management safety	4,185	3,864
Administrative services	47,075	52,539
Financial services	9,112	12,802
Investment broker fees	38,592	29,005
Financial audit	74,200	31,151
Actuarial services	6,000	5,000
Legal counsel	669	8,159
Bond	2,530	2,526
Supplies	3,211	1,585
Travel	9,606	9,607
Annual meeting costs	12,628	14,404
Interest expense	-	6,083
<b>Total Administrative Expenses</b>	<b>207,808</b>	<b>176,725</b>
<b>Unrealized Loss on Investments (Note 3)</b>	<b>(125,993)</b>	<b>(123,857)</b>
<b>Deficiency of Revenues Over Expenses</b>	<b>(93,097)</b>	<b>(91,225)</b>
<b>Net Assets, beginning of year</b>	<b>566,201</b>	<b>657,426</b>
<b>Net Assets, end of year</b>	<b>\$ 473,104</b>	<b>\$ 566,201</b>

See accompanying notes to financial statements.

# Michigan Transit Pool - Liability Trust Fund

## Statements of Cash Flows

<i>Year ended November 30,</i>	2005	2004
<b>Operating Activities</b>		
Cash received from premiums collected	\$ 4,904,460	\$ 4,266,304
Cash received from investment income	244,430	205,150
Cash payments for claims, claims adjusting expenses and excess insurance premiums, net of recoveries	(4,480,147)	(3,699,829)
Cash payments for administrative expenses	(107,969)	(163,105)
<b>Net Cash Provided by Operating Activities</b>	<b>560,774</b>	<b>608,520</b>
<b>Investing Activities</b>		
Purchase of investments	(2,636,349)	(2,004,484)
Proceeds from sale or maturity of investments	1,990,334	1,350,006
<b>Net Cash Used in Investing Activities</b>	<b>(646,015)</b>	<b>(654,478)</b>
<b>Capital and Related Financing Activities</b>		
Contingency and restricted reserves	111,622	35,231
Statutory surplus assessment	13,400	12,600
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>125,022</b>	<b>47,831</b>
<b>Net Increase in Cash</b>	<b>39,781</b>	<b>1,873</b>
<b>Cash, beginning of year</b>	<b>10,852</b>	<b>8,979</b>
<b>Cash, end of year</b>	<b>\$ 50,633</b>	<b>\$ 10,852</b>

# Michigan Transit Pool - Liability Trust Fund

## Statements of Cash Flows

<i>Year ended November 30,</i>	<b>2005</b>	<b>2004</b>
<b>Reconciliation of Deficiency of Revenues Over Expenses to Net Cash Provided by Operating Activities</b>		
Deficiency of revenues over expenses	\$ (93,097)	\$ (91,225)
Adjustments to reconcile deficiency of revenues over expenses to net cash provided by operating activities:		
Unrealized loss on investments	125,993	123,857
Amortization of bond premium	45,594	33,872
Statutory surplus assessment	(13,400)	(12,600)
Changes in operating assets and liabilities:		
Amount due from members	2,694,682	(674,194)
Accrued interest income	(799)	2,026
Deposit with claims administrator	40,779	(24,983)
Accrued liabilities	99,839	9,768
Premiums paid in advance	(88,808)	216,334
Retrospective refunds	598,261	1,092,984
Premium stabilization	(44,087)	19,917
Reserves for claims	(2,804,183)	(87,236)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 560,774</b>	<b>\$ 608,520</b>

*See accompanying notes to financial statements.*

# Michigan Transit Pool - Liability Trust Fund

## Notes to Financial Statements

### 1. Organization

#### *Michigan Transit Pool*

The Michigan Transit Pool (Pool) was established by certain members on December 1, 1987 pursuant to the provisions of MCL Sections 124.1 et seq. The Pool consists of both the Liability Trust Fund and the Direct Property Damage Trust Fund. The Direct Property Damage Trust Fund was organized to provide direct property damage coverage (collision and comprehensive) to its members, effective March 1, 1990. These financial statements present only the Liability Trust Fund of the Michigan Transit Pool. The Pool was established to provide no-fault and general liability insurance or other coverages which the Board of Directors may include in a loss protection program. In addition, the Pool serves to minimize the amount and frequency of losses and to decrease the costs incurred by its members in handling and litigating claims. Any eligible party joining the Pool must remain a member for a minimum of three years. After the initial three-year commitment, a member may withdraw from the Pool only at the end of any fiscal year by giving a six-month written notice. New members may be allowed entry upon approval of the Board of Directors. Additionally, the Pool maintains the right to cancel any member's participation upon a two-thirds vote of the entire Board of Directors.

#### *Liability Trust Fund*

The Liability Trust Fund (Fund) was organized to provide no-fault and general liability coverage to its members.

Annual underwriting premiums are designed to cover the fiscal year budget of each loss protection program. The actual cost of each program is allocated to the members through retrospective adjustments. Each member is responsible for all losses falling within its selected retention level, plus its share of pooled losses and administrative expenses, less its share of investment income. During 1991, the Pool established the premium stabilization account which allows members to allocate a portion of their retrospective refund to cover potential retrospective billings in the future.

# Michigan Transit Pool - Liability Trust Fund

## Notes to Financial Statements

Separate accounts are maintained for each member and the net investment results and administrative costs are allocated to members on the basis of their passengers, miles and hours (hereafter referred to as PMH factor). The PMH factor is determined by giving equal weighting to an individual member's percentage of passengers, vehicle miles and vehicle hours. Underwriting results are allocated to members based on a combination of their PMH factor as well as their actual claim development experience.

The Fund provides no-fault and general liability coverage to its members for the first \$2,000,000 per occurrence including the members' self-insured retentions. The self-insured retentions range from \$5,000 to \$125,000. An excess insurance carrier beginning in fiscal 2003 provides coverage in excess of \$2,000,000, up to a maximum of \$4,000,000 to \$7,000,000 per occurrence depending on the member. Prior to fiscal 2003, coverage was provided by the Fund for the first \$2,000,000 with excess insurance coverage provided up to \$6,000,000.

The Fund requires members to make a contingency reserve contribution which has been classified as a liability. During each of the years 2005 and 2004, members made contributions of \$15,794 and \$14,411, respectively. The contingency reserve is established for potential significant claims and to protect the Fund from member insolvency. Upon withdrawal, and after final resolution of all claims during the membership period, members are entitled to a return of their contingency reserve, as defined in the bylaws. Contributions to the contingency reserve are made for the first eight years of membership. Contributions made after that are allocated to the restricted reserves. The restricted reserves may be utilized to offset retrospective adjustments based upon specific defined criteria. Members made contributions of \$95,828 and \$20,820 to the restricted reserves in 2005 and 2004, respectively.

Beginning in 1999, all members are required to make an annual surplus contribution to the Fund, which will remain in the Fund as required by the State of Michigan Office of Financial and Insurance Services. Contributions for surplus equity have been classified as additional premiums, not subject to the retrospective adjustment calculation. There can be no guarantee that a member will be entitled to a return of this contribution upon withdrawal from the Fund. Aggregate contributions made to the Fund during 2005 and 2004 amounted to \$13,400 and \$12,600, respectively.

# Michigan Transit Pool - Liability Trust Fund

## Notes to Financial Statements

### 2. Summary of Significant Accounting Policies

#### *Basis of Presentation*

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for financial statements of governmental entities and insurance enterprises, where applicable. The Fund has adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

The Fund reports under Governmental Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* (GASB Statement No. 10). This statement generally requires the Fund to follow the current accounting and financial reporting standards of a proprietary fund. Under GASB statement No. 10, the Fund is a component of a public entity risk pool.

#### *Summary of Significant Account Policies*

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Fund applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, to the extent that they do not conflict with GASB pronouncements. The Fund has elected not to apply FASB statements issued after November 30, 1989.

#### *Use of Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# Michigan Transit Pool - Liability Trust Fund

## Notes to Financial Statements

### *Investments*

Investments are reported at fair market value, as determined by the Fund's investment manager. Unrealized gains or losses on investments are recognized in the statements of revenues, expenses and changes in net assets.

### *Equipment*

Equipment is recorded at cost and consists primarily of computer equipment. Assets having a useful life in excess of one year and whose costs exceed \$1,000 are capitalized. Depreciation is computed by the straight-line method based on the estimated useful lives of the assets (3 to 5 years). Expenditures for maintenance and repairs are charged to expense as incurred, whereas major additions are capitalized.

### *Net Assets*

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

### *Reserves for Claims*

The Fund establishes reserves for claims based on actuarial estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Recorded reserves are discounted to reflect anticipated investment income of approximately 4.0% on funds held until payments become due. The evaluation of the reserve for incurred but not reported claims was based on the Fund's own historical claims experience. As policy years mature, the reserves are adjusted to reflect actual experience. The length of time for which such costs must be estimated varies depending on the claim involved. Estimated amounts of salvage and subrogation and excess insurance and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claim costs are dependent on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities cannot yield an exact result, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates of actual claim costs that reflect recent settlements, claim frequency and

# Michigan Transit Pool - Liability Trust Fund

## Notes to Financial Statements

other economic and social factors. While management and its actuary believe that recorded reserves are reasonable, the ultimate settlement of claims may vary significantly from the amounts previously provided.

### *Reinsurance and Excess Insurance*

The Fund uses a reinsurance agreement to reduce its exposure to large losses on personal injury medical claims in excess of \$350,000 and excess insurance for automobile and general liability claims in excess of \$2,000,000, up to an aggregate of \$4,000,000 to \$5,000,000 per occurrence depending on the member. In addition, aggregate excess coverage of \$5,000,000 is provided on claims in excess of the Fund's resources as provided by MCL 124.7, approximately \$11,000,000 at December 31, 2005. Prior to fiscal 2003, coverage was provided by the Fund for the first \$2,000,000 with excess insurance coverage up to \$6,000,000. The insurance policies permit recovery of a portion of losses from the carrier in excess of these limits, although they do not discharge the primary liability of the Fund as direct insurer of the risks insured. The Fund does not report excess insured risks as liabilities unless it is probable that those risks will not be covered by the respective carrier.

### *Underwriting Revenue*

Underwriting revenue consists of premiums deposited in the current policy year, adjusted by retrospective adjustments of the ultimate costs of the current and prior policy years.

### *Reclassification*

Certain amounts have been reclassified in 2004 to conform to the 2005 presentation. The reclassification had no effect on total net assets.

## **3. Cash, Deposits and Investments**

### *Deposits*

Statutes require that certificates of deposit, savings accounts, depository accounts and depository receipts are made with banks doing and having a place of business in the State of Michigan and who are also members of a federal or national insurance corporation.

# Michigan Transit Pool - Liability Trust Fund

## Notes to Financial Statements

### *Custodial Credit Risk Related to Deposits*

Custodial credit risk of deposits is the risk that in the event of a bank failure, the Fund's deposits might not be recovered. The Fund does not have a deposit policy for custodial credit risk. At November 30, 2005, the Fund's bank balance was \$53,112 of which no amount was exposed to custodial credit risk.

### *Investments*

Statutes authorize the Fund to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services, bankers' acceptances of U.S. banks, United States government or federal agency obligation repurchase agreements, obligations of the State of Michigan or any of its political subdivisions rated as investment grade by not less than one standard rating service and mutual funds composed of the types of investment vehicles named previously.

### *Interest Rate Risk*

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fund does not have an investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At November 30, 2005, the Fund had the following investments and maturities:

Investment Type	Fair Value	Maturity	
		Less Than 1 Year	1-5 Years
Mutual Funds	\$ 1,431,486	\$ 1,431,486	\$ -
U.S. Treasury Bonds	968,204	-	968,204
Corporate Bonds	2,842,201	-	2,842,201
Government Agencies	1,593,263	-	1,593,263
<b>Total</b>	<b>\$ 6,835,154</b>	<b>\$ 1,431,486</b>	<b>\$ 5,403,668</b>

# Michigan Transit Pool - Liability Trust Fund

## Notes to Financial Statements

### *Credit Risk*

Credit Risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The Fund does not have an investment policy to mitigate credit risk. At November 30, 2005, the Fund had the following credit ratings:

Investment Type	Rating	Credit Exposure as a Percent of Total Investments
U.S. Treasury Bonds	AAA	14.2%
Mutual Funds	Not Rated	20.9
Corporate Bonds	AA	6.5
Corporate Bonds	A-	4.1
Corporate Bonds	A	7.2
Corporate Bonds	A+	13.6
Corporate Bonds	AA-	6.5
Corporate Bonds	AA+	3.8
Government Agencies	AAA	23.2

### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of the Fund's investment in a single issuer. The Fund does not have an investment policy that limits the amount that may be invested in any one issuer. Excluding U.S. government guaranteed, mutual fund and pooled investments, investments that exceeded 5% of total investments at November 30, 2005 are as follows:

Investment Type	Description	Concentration as a Percent of Total Investments
Corporate Bonds	AIG	7.6%
Corporate Bonds	Goldman Sachs Group Inc.	7.7
Corporate Bonds	JPMorgan Chase	7.4
Corporate Bonds	Bank of America Corp.	7.4
Corporate Bonds	Credit Suisse First Boston	7.4
Corporate Bonds	National City Bank	7.6

# Michigan Transit Pool - Liability Trust Fund

## Notes to Financial Statements

### *Custodial Credit Risk*

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The value of the Fund's investments subject to custodial credit risk was \$5,403,668 at November 30, 2005.

### **4. Internal Revenue Service Status**

The Internal Revenue Service has determined in its letter dated September 29, 1989 that the Pool meets the requirements of Section 115 of the Internal Revenue Code and, accordingly, is exempt from federal income tax.

### **5. Reserves for Claims**

As discussed in Note 2, the Fund establishes a liability for both reported and unreported insured events which includes estimates of both future payments of losses and related claim adjustment expenses, net of anticipated recoveries from the excess insurance carrier. The following represents changes in those aggregate liabilities for the Fund during the years ended November 30, 2005 and 2004:

<i>Year ended November 30,</i>	<b>2005</b>	<b>2004</b>
<b>Reserves for Claims, beginning of year</b>	<b>\$7,683,526</b>	<b>\$7,770,762</b>
<b>Incurred Claims and Claim Adjustment Expenses</b>		
Provision for insured events of the current year	<b>1,222,290</b>	1,222,482
Increase (decrease) in provisions for insured events of prior years	<b>(470,921)</b>	1,401,080
<b>Total Incurred Claims and Claim Adjustment Expenses</b>	<b>751,369</b>	<b>2,623,562</b>
<b>Payments</b>		
Current year claims	<b>271,973</b>	171,198
Prior year claims	<b>3,283,579</b>	2,539,600
<b>Total Payments</b>	<b>3,555,552</b>	<b>2,710,798</b>
<b>Reserves for Claims, end of year</b>	<b>\$4,879,343</b>	<b>\$7,683,526</b>

# Michigan Transit Pool - Liability Trust Fund

## Notes to Financial Statements

### 6. Line of Credit

The Fund has a line of credit agreement which permits borrowings up to \$2,100,000 and bears interest at .5% below the prime rate, effectively 6.5% and 4.5% at November 30, 2005 and 2004, respectively. At November 30, 2005 and 2004 there were no amounts outstanding under the line of credit agreement.

During 2005, the Fund obtained a letter of credit agreement which permits borrowings up to \$300,000. At November 30, 2005, there were no amounts outstanding under the letter of credit agreement.

### 7. New Pronouncement

During 2005, the Fund adopted the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*.

### 8. Commitment

During 2005, the Fund entered into an agreement with the Ohio Transit Risk Pool to operate and participate in Transit Reinsurance, Ltd. (Corporation), a captive insurance company for excess of loss reinsurance coverage. The reinsurance will become effective December 1, 2005. The Fund committed \$300,000 through a letter of credit for the Fund's share of contributed surplus in accordance with the terms of the commitment letter between the Fund and the Corporation.

# Michigan Transit Pool - Liability Trust Fund

## Required Supplementary Information Claims Development Information

The following table illustrates how the Fund's earned premiums (net of retrospective adjustments) and investment income compare to related gross costs of loss (net of losses assumed by excess insurers) and other expenses assumed by the Fund as of the end of each of the past ten years. The rows of the table are defined as follows: (1) This line shows the total of each policy year's earned premiums and investment income. (2) This line shows each fiscal year's operating costs of the Fund including overhead. (3) This line shows the Fund's gross incurred claims, claims assumed by excess insurers and net incurred claims (both paid and accrued) and loss adjustment expense as originally reported at the end of the year in which the event that triggered coverage under the contract occurred (policy year). (4) This section shows the cumulative net amounts paid as of the end of successive years. (5) This line shows the latest re-estimated amount of losses assumed by excess insurers for each year. (6) This section shows how each policy year's net incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (7) This line compares the latest re-estimated net incurred claims amount (line 6) to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

	2005	2004	2003
1. Premiums earned and investment income:			
Earned	\$ 2,387,588	\$2,420,871	\$ 2,662,737
Ceded	924,596	669,005	1,028,561
Net earned	1,462,992	1,751,866	1,634,176
2. Other operating expenses	207,808	176,725	174,600
3. Estimated incurred claims and expense, end of policy year:			
Incurred	1,222,290	1,522,482	1,346,754
Ceded	-	300,000	-
Net incurred	1,222,290	1,222,482	1,346,754
4. Net paid claims (cumulative) as of:			
End of policy year	271,973	171,198	207,338
One year later	-	351,581	369,180
Two years later	-	-	414,106
Three years later	-	-	-
Four years later	-	-	-
Five years later	-	-	-
Six years later	-	-	-
Seven years later	-	-	-
Eight years later	-	-	-
Nine years later	-	-	-
5. Re-estimated ceded claims and expenses	-	9,654	-
6. Re-estimated net incurred claims and expenses:			
End of policy year	1,222,290	1,222,482	1,346,754
One year later	-	952,916	1,036,900
Two years later	-	-	634,242
Three years later	-	-	-
Four years later	-	-	-
Five years later	-	-	-
Six years later	-	-	-
Seven years later	-	-	-
Eight years later	-	-	-
Nine years later	-	-	-
7. Increase (decrease) in estimated net incurred claims and expense from end of policy year	-	(269,566)	(712,512)

# Michigan Transit Pool - Liability Trust Fund

## Required Supplementary Information Claims Development Information

2002	2001	2000	1999	1998	1997	1996
\$ 4,995,910	\$ 2,441,909	\$ 1,962,828	\$ 1,987,027	\$ 1,461,290	\$ 1,357,344	\$ 1,713,818
689,243	418,143	272,631	156,002	3,455	42,763	106,112
4,306,667	2,023,766	1,690,197	1,831,025	1,457,835	1,314,581	1,607,706
141,946	114,383	100,357	100,611	93,604	102,486	95,071
4,059,094	1,809,554	1,482,581	1,610,485	1,364,231	1,212,095	1,512,635
-	-	-	-	-	-	-
4,059,094	1,809,554	1,482,581	1,610,485	1,364,231	1,212,095	1,512,635
327,616	319,796	418,678	819,843	303,639	254,771	252,359
835,528	893,694	670,896	1,027,213	591,348	484,595	469,594
836,904	1,374,664	1,093,842	1,244,282	879,702	617,327	568,549
3,958,142	2,219,728	1,439,659	1,296,609	1,089,633	775,952	700,545
-	2,438,949	4,087,640	1,296,609	1,496,743	836,477	913,222
-	-	4,115,292	1,296,564	1,496,797	838,393	928,975
-	-	-	1,296,564	1,496,797	838,393	933,622
-	-	-	-	1,496,797	838,393	1,005,544
-	-	-	-	-	838,393	1,005,544
-	-	-	-	-	-	1,055,544
(300,000)	-	(1,416,618)	-	-	-	-
4,059,094	1,809,554	1,482,581	1,610,485	1,364,231	1,212,095	1,512,635
5,542,332	2,463,758	1,436,490	1,518,407	1,445,572	873,513	1,146,272
5,655,247	2,658,746	1,690,381	1,424,946	1,563,548	781,415	906,741
5,759,527	3,588,008	2,080,123	1,296,606	1,612,523	874,866	972,995
-	3,710,206	4,165,543	1,296,606	1,496,743	843,219	996,305
-	-	4,150,022	1,296,561	1,496,797	838,392	981,097
-	-	-	1,296,561	1,496,797	838,392	948,501
-	-	-	-	1,496,797	838,392	1,005,543
-	-	-	-	-	838,392	1,005,543
-	-	-	-	-	-	1,005,543
1,700,433	(3,100)	2,667,441	(313,924)	132,566	(373,703)	(507,092)



**Balance Sheet  
by Member**



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**Michigan Transit Pool - Liability Trust Fund**  
**Balance Sheet by Member**  
**November 30, 2005**

	222	223	225	226	227	228	230	232	236	240	246	248	249	250
	Clare	Clinton	Delta	Eastern	Eaton	Flint	Gladwin	Goebie	Interurban	City of	Isabella	Jackson	Kalamazoo	Kalamazoo
	County	Transit	Area	Upper	County	Transit	County	County	Partnership	Hillsdale	County	Transit	County	Transit
	Corporation	System	Authority	Authority	Authority	Authority	System	Transit	Transit	Transit	Commission	Authority	County	County
<b>Assets</b>														
Cash	\$ 804	\$ 910	\$ 759	\$ 644	\$ 1,477	\$ 178	\$ 639	\$ 275	\$ 5,427	\$ 300	\$ 1,721	\$ 1,999	\$ 768	\$ 3,399
Investments <sup>(1)</sup>														
Investments	244,488	42,391	52,264	78,416	139,325	(58,005)	191,451	36,385	726,135	20,288	287,932	200,574	45,173	397,207
Net bond discount accretion	(1,788)	(120)	(858)	(710)	(1,174)	(3,495)	(1,361)	(248)	(7,493)	(123)	(1,939)	(2,721)	(286)	(2,763)
Unrealized loss on investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Liabilities</b>														
Accounts payable	242,700	42,271	51,406	77,706	138,151	(61,500)	190,090	36,137	718,642	20,165	285,993	197,853	44,887	394,444
Amount due from members	29,673	2,609	64,786	25,964	123,445	357,256	28,126	12,948	854,143	7,955	36,164	282,658	41,996	272,714
Accrued interest receivable	465	6	889	675	613	11,947	1,042	202	7,029	53	1,244	3,320	29	3,320
Deposit with claims administrator	131	(468)	164	66	(558)	5,050	425	(213)	(7,458)	(264)	(52)	2,034	(772)	30,015
Office equipment	151	-	185	127	209	2,642	182	51	1,583	-	361	793	-	690
Less accumulated depreciation	(151)	-	(185)	(127)	(209)	(2,642)	(182)	(51)	(1,583)	-	(361)	(793)	-	(690)
<b>Total Assets</b>	<b>\$ 273,773</b>	<b>\$ 45,328</b>	<b>\$ 118,004</b>	<b>\$ 105,055</b>	<b>\$ 263,128</b>	<b>\$ 312,931</b>	<b>\$ 220,322</b>	<b>\$ 49,349</b>	<b>\$ 1,577,783</b>	<b>\$ 28,209</b>	<b>\$ 325,070</b>	<b>\$ 487,894</b>	<b>\$ 86,908</b>	<b>\$ 703,892</b>
<b>Liabilities and Net Assets</b>														
<b>Liabilities</b>														
Accounts payable	\$ 2,316	\$ 1,108	\$ 1,274	\$ 1,111	\$ 3,475	\$ -	\$ 2,414	\$ 447	\$ 26,487	\$ 497	\$ 4,468	\$ 7,064	\$ 1,786	\$ 13,301
Premiums paid in advance	9,867	-	-	4,750	15,553	-	8,982	2,080	109,939	-	16,892	-	-	-
Amounts due to members:														
Retrospective refunds	40,920	16,752	24,611	18,044	64,317	47,444	57,017	4,175	546,581	6,147	57,361	129,450	24,447	51,710
Premium stabilization	125,069	47	-	-	-	-	63,960	5,478	3,606	-	37,000	-	-	-
Restricted reserves	7,532	-	5,733	9,415	21,385	87,460	12,952	2,690	141,048	-	24,784	27,976	-	75,336
Contingency reserve	10,475	8,916	18,596	13,094	29,726	170,216	15,738	5,236	171,552	3,082	30,139	34,032	9,262	91,642
<b>Total amounts due to members</b>	<b>183,996</b>	<b>25,715</b>	<b>48,940</b>	<b>40,553</b>	<b>115,428</b>	<b>305,120</b>	<b>149,667</b>	<b>17,579</b>	<b>862,787</b>	<b>9,229</b>	<b>149,284</b>	<b>191,458</b>	<b>33,709</b>	<b>218,688</b>
<b>Reserves for claims:</b>														
Reported claims	63,277	1,414	53,252	46,545	100,927	7,811	47,384	24,027	528,630	12,824	124,794	235,658	36,209	337,395
Incurred but not reported claims	14,317	17,091	14,538	12,096	27,745	-	11,875	5,216	49,940	5,659	29,632	53,714	15,204	134,508
<b>Total reserves for claims</b>	<b>77,594</b>	<b>18,505</b>	<b>67,790</b>	<b>58,641</b>	<b>128,672</b>	<b>7,811</b>	<b>59,259</b>	<b>29,243</b>	<b>578,570</b>	<b>18,483</b>	<b>154,426</b>	<b>289,372</b>	<b>51,413</b>	<b>471,903</b>
<b>Total Liabilities</b>	<b>273,773</b>	<b>45,328</b>	<b>118,004</b>	<b>105,055</b>	<b>263,128</b>	<b>312,931</b>	<b>220,322</b>	<b>49,349</b>	<b>1,577,783</b>	<b>28,209</b>	<b>325,070</b>	<b>487,894</b>	<b>86,908</b>	<b>703,892</b>
<b>Net Assets</b>														
Unrestricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities and Net Assets</b>	<b>\$ 273,773</b>	<b>\$ 45,328</b>	<b>\$ 118,004</b>	<b>\$ 105,055</b>	<b>\$ 263,128</b>	<b>\$ 312,931</b>	<b>\$ 220,322</b>	<b>\$ 49,349</b>	<b>\$ 1,577,783</b>	<b>\$ 28,209</b>	<b>\$ 325,070</b>	<b>\$ 487,894</b>	<b>\$ 86,908</b>	<b>\$ 703,892</b>

<sup>(1)</sup> During the year ended November 30, 1998, the fund adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 31 and has recorded investments at their estimated fair market value. Unrealized gains have been presented on the statements of revenues and expenses and retained earnings. Adjustments to record investments at their fair market value will not be passed on to individual members until realized by the Fund as management believes that investments will be held to maturity.

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*See independent auditors' report regarding additional information.*

**Statement of  
Revenues and Expenses  
by Member**

**Michigan Transit Pool - Liability Trust Fund**  
**Statement of Revenues and Expenses by Member**  
**Accounting Period December 1, 2004 through November 30, 2005**

		MTP	201	202	204	205	207	212	213	216	217	219
		Pool	Alger County Transit Authority	Thunderbay Transit Authority	Antrim County Transit Authority	Huron Transit Corporation	Metropolitan Bay	Berrien County Transit Authority	Blue Water Area Transit Authority	Branch Transport Authority	City of Buchanan	Cass County Public Transportation System
Totals												
<b>Revenues</b>												
Initial deposits	\$	13,403	\$ 29,695	\$ 34,100	\$ 20,120	\$ 52,456	\$ 124,636	\$ 40,752	\$ 93,112	\$ 24,800	\$ 3,952	\$ 19,160
Contingency and restricted reserve		-	(969)	(1,619)	(1,887)	(2,153)	(6,851)	(1,619)	(5,343)	(1,212)	(537)	(1,249)
Retrospective adjustments		-	(7,284)	(6,887)	425	(19,350)	(16,402)	(17,394)	(45,673)	(8,757)	771	(5,153)
Premium earned		13,403	21,442	25,594	18,658	30,953	101,383	21,739	42,096	14,831	4,186	12,758
Investment income		19,493	1,274	3,169	2,596	4,690	11,529	2,984	8,175	2,261	361	2,650
<b>Net Operating Revenues</b>												
			22,716	28,763	21,254	35,643	112,912	24,723	50,271	17,092	4,547	15,408
<b>2004-2005 Paid and Reserved Claims</b>												
Paid claims		-	-	-	4,837	-	3,411	-	5,162	3,495	-	-
Reserves for reported claims		-	-	-	632	2,250	15,942	-	-	-	-	-
Risk shared paid claims		-	1,156	1,336	691	1,284	1,850	994	1,717	595	139	694
Risk shared reserves		-	872	1,007	519	968	1,395	750	1,295	449	105	523
Incurred but not reported claims		-	10,356	14,408	8,362	13,122	48,756	9,005	11,256	4,181	3,023	7,976
<b>Total Paid and Reserved Claims</b>			12,384	16,751	15,041	17,624	71,354	10,749	19,430	8,720	3,267	9,193
<b>Other Expenses</b>												
Risk management safety		-	41	48	22	71	164	55	122	33	5	25
Administrative services		-	460	534	280	801	1,848	622	1,371	372	57	276
Financial services		-	89	103	54	155	358	120	265	72	11	53
Investment broker fees		-	370	437	240	656	1,518	500	1,143	306	47	237
Financial audit		-	725	843	434	1,264	2,914	981	2,162	587	90	435
Actuarial services		-	59	68	35	102	236	79	175	47	7	35
Legal counsel		-	6	8	4	11	26	9	20	5	1	4
Pool insurance		-	8,309	9,654	4,983	14,479	33,395	11,239	24,766	6,729	1,028	4,986
Bond		-	25	29	16	43	99	33	74	20	3	15
Supplies		-	31	36	19	55	126	42	94	25	4	19
Travel reimbursement		-	94	109	57	164	378	127	281	76	12	56
Annual meeting costs		-	123	143	69	218	496	167	368	100	15	74
Interest expense		-	-	-	-	-	-	-	-	-	-	-
Depreciation		-	-	-	-	-	-	-	-	-	-	-
<b>Total Other Expenses</b>			10,332	12,012	6,213	18,019	41,558	13,974	30,841	8,372	1,280	6,215
<b>Unrealized Loss on Investments <sup>(1)</sup></b>			-	-	-	-	-	-	-	-	-	-
<b>Revenues Under Expenses</b>												
	\$	(93,097)	\$ (93,097)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

<sup>(1)</sup> During the year ended November 30, 1998, the Fund adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 31 and has recorded investments at their estimated fair market value. Unrealized gains have been presented on the statements of revenues and expenses and retained earnings. Adjustments to record investments at their fair market value will not be passed on to individual members until realized by the Fund as management believes that investments will be held to maturity.

**Michigan Transit Pool - Liability Trust Fund**  
**Statement of Revenues and Expenses by Member**  
**Accounting Period December 1, 2004 through November 30, 2005**

	222	223	225	226	227	228	230	232	236	240	246	248	249	250
	Clare	Clinton	Della	Eastern	Eaton	Flint	Gladwin	Gogebic	Interurban	City of	Isabella	Jackson	Kalamazoo	Kalamazoo
	County	County	County	County	County	County	County	County	County	County	County	County	County	County
	Transit	Transit	Transit	Transit	Transit	Transit	Transit	Transit	Transit	Transit	Transit	Transit	Transit	Transit
	Authority	Authority	Authority	Authority	Authority	Authority	Authority	Authority	Authority	Authority	Authority	Authority	Authority	Authority
	System	System	System	System	System	System	System	System	System	System	System	System	System	System
Revenues														
Initial deposits	\$ 39,184	\$ 19,748	\$ 23,824	\$ 20,404	\$ 61,336	\$ 131,200	\$ 41,804	\$ 8,128	\$ 456,544	\$ 8,504	\$ 77,588	\$ 119,956	\$ 30,248	\$ 230,520
Contingency and restricted reserve	-	(1,887)	(1,911)	-	(3,055)	-	(1,619)	(538)	(17,631)	(537)	(3,098)	(3,497)	(1,619)	(9,417)
Retrospective adjustments	(23,128)	781	(7,756)	(8,208)	(15,861)	(3,048)	(21,744)	1,760	(136,991)	(2,264)	(37,761)	(40,956)	(1,056)	(48,020)
Premium earned	16,056	18,642	14,157	12,196	42,420	128,152	18,441	9,350	301,922	5,703	36,729	75,503	27,573	173,083
Investment income	7,805	1,298	2,804	2,711	5,472	1,523	6,819	1,093	25,805	1,112	10,604	9,320	2,480	12,904
Net Operating Revenues	23,861	19,940	16,961	14,907	47,892	129,675	25,260	10,443	327,727	6,815	47,333	84,823	30,053	185,987
2004-2005 Paid and Reserved Claims														
Paid claims	-	2,150	-	-	7,095	-	2,552	252	60,608	-	198	7,553	5,669	18,033
Reserves for reported claims	-	-	-	-	-	-	-	3,998	69,581	-	-	-	3,610	4,110
Risk shared paid claims	983	734	538	734	2,301	-	804	289	6,319	330	1,896	2,341	757	3,879
Risk shared reserves	741	554	405	554	1,735	-	606	218	4,766	249	1,430	1,766	571	2,926
Incurred but not reported claims	8,298	9,906	8,426	7,011	16,081	-	6,882	3,023	28,945	3,280	17,174	31,132	8,812	77,959
Total Paid and Reserved Claims	10,022	13,344	9,369	8,299	27,212	-	10,844	7,780	170,219	3,859	20,698	42,792	19,419	106,907
Other Expenses														
Risk management safety	55	26	30	26	82	290	57	11	624	12	105	166	42	313
Administrative services	613	293	337	293	920	3,260	639	118	7,009	131	1,183	1,870	473	3,520
Financial services	119	57	65	57	178	631	124	23	1,358	25	229	362	92	682
Investment broker fees	555	239	287	251	754	2,674	565	101	5,606	110	1,016	1,517	386	2,796
Financial audit	967	463	532	463	1,450	5,142	1,008	186	11,056	207	1,865	2,949	746	5,552
Actuarial services	78	37	43	37	117	416	82	15	894	17	151	238	60	449
Legal counsel	9	4	5	4	13	46	9	2	100	2	17	27	7	50
Pool insurance	11,078	5,302	6,092	5,302	16,619	115,276	11,551	2,137	126,689	2,374	21,365	33,788	8,547	63,623
Bond	33	16	18	16	49	175	34	6	377	7	64	101	25	189
Supplies	42	20	23	20	63	223	44	8	478	9	81	128	32	240
Travel reimbursement	125	60	69	60	188	667	131	24	1,435	27	242	383	97	721
Annual meeting costs	165	79	91	79	247	875	172	32	1,882	35	317	502	127	945
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Expenses	13,839	6,596	7,592	6,608	20,680	129,675	14,416	2,663	157,508	2,956	26,635	42,031	10,634	79,080
Unrealized Loss on Investments <sup>(1)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revenues Under Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

<sup>(1)</sup> During the year ended November 30, 1998, the Fund adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 31 and has recorded investments at their estimated fair market value. Unrealized gains have been presented on the statements of revenues and expenses and retained earnings. Adjustments to record investments at their fair market value will not be passed on to individual members until realized by the Fund as management believes that investments will be held to maturity.

**Michigan Transit Pool - Liability Trust Fund**  
**Statement of Revenues and Expenses by Member**  
**Accounting Period December 1, 2004 through November 30, 2005**

	252	254	258	260	262	266	268	273	274	278	279	282	286	288	300
	Capital	Greater	Ludington	Marquette	Mecosta	Muskegon	City of	St. Joseph	Sanilac	Interurban	Shiawassee	Bay	Twin Cities	Cadillac-	Yates
	Area	Trans-	Trans-	County	County	Trans-	Niles	County	Trans-	Trans-	Trans-	Trans-	Area	Wexford	Township
	Trans-	portation	portation	Transit	Transit	System	Dial-A-	Trans-	Corporation	Transit	Trans-	Trans-	Trans-	Transit	Transit
	portation	Authority	Authority	Authority	Area	System	Ride	Authority	Authority	Authority	Authority	Authority	Authority	Authority	Authority
<b>Revenues</b>															
Initial deposits	\$ 714,854	\$ 39,772	\$ 24,824	\$ 69,476	\$ 23,272	\$ 59,176	\$ 19,948	\$ 24,212	\$ 25,000	\$ 9,880	\$ 20,992	\$ 116,168	\$ 33,480	\$ 31,772	\$ 52,362
Contingency and restricted reserve	(18,703)	(1,077)	(1,073)	(3,367)	(1,887)	(3,635)	(1,212)	(1,887)	-	(536)	(116)	(3,635)	(174)	(3,510)	(1,619)
Retrospective adjustments	(142,290)	(11,763)	(9,758)	(33,885)	(5,005)	6,248	(5,287)	(3,054)	(8,749)	(2,354)	2,924	(45,171)	(11,800)	(7,695)	(11,740)
<b>Premium earned</b>	553,861	26,932	13,993	32,224	16,380	61,789	13,449	19,271	16,251	6,990	23,800	67,362	21,506	20,567	39,003
<b>Investment income</b>	42,899	2,281	3,141	6,859	2,639	11,297	1,120	1,845	3,965	803	908	8,398	1,728	597	2,291
<b>Net Operating Revenues</b>	596,760	29,213	17,134	39,083	19,019	73,086	14,569	21,116	20,216	7,793	24,708	75,760	23,234	21,164	41,294
<b>2004-2005 Paid and Reserved Claims</b>															
Paid claims	61,054	718	653	2,344	-	1,951	500	1,070	832	-	7,722	11,984	216	-	-
Reserves for reported claims	143,457	-	-	-	-	14,467	-	-	3,811	-	-	-	-	-	-
Risk shared paid claims	10,146	1,601	601	1,307	815	867	775	919	607	387	873	2,261	838	1,006	1,353
Risk shared reserves	7,652	1,208	453	985	615	654	584	693	458	292	658	1,705	632	759	1,020
Incurred but not reported claims	121,377	11,321	6,947	10,999	10,292	35,570	5,725	10,163	5,918	3,666	7,590	18,589	9,841	10,356	8,812
<b>Total Paid and Reserved Claims</b>	343,686	14,848	8,654	15,635	11,722	53,509	7,584	12,845	11,626	4,345	16,843	35,209	11,527	12,121	11,185
<b>Other Expenses</b>															
Risk management safety	1,001	57	34	93	29	77	28	33	34	14	31	160	46	36	48
Administrative services	11,255	640	376	1,042	324	867	311	368	381	176	350	1,803	521	405	538
Financial services	2,180	124	73	202	63	168	60	71	74	30	68	349	101	78	104
Investment broker fees	9,227	512	320	867	276	789	249	301	336	126	274	1,462	415	313	438
Financial audit	17,748	1,008	594	1,644	511	1,367	490	580	601	242	552	2,845	822	635	849
Actuarial services	1,435	82	48	133	41	111	40	47	49	20	45	230	66	51	69
Legal counsel	160	9	5	15	5	12	4	5	5	2	5	26	7	6	8
Pool insurance	203,372	11,552	6,806	18,832	5,856	15,670	5,618	6,647	6,884	2,770	6,331	32,603	9,418	7,280	21,734
Bond	605	34	20	56	17	47	17	20	20	8	19	97	28	22	29
Supplies	768	44	26	71	22	59	21	25	26	10	24	123	36	27	37
Travel reimbursement	2,303	131	77	213	66	177	64	75	78	9	72	369	107	82	110
Annual meeting costs	3,020	172	101	280	87	233	83	99	102	41	94	484	140	108	145
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Other Expenses</b>	253,074	14,365	8,480	23,448	7,297	19,577	6,985	8,271	8,590	3,448	7,865	40,551	11,707	9,043	30,109
<b>Unrealized Loss on Investments <sup>(1)</sup></b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Revenues Under Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

<sup>(1)</sup> During the year ended November 30, 1998, the Fund adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 31 and has recorded investments at their estimated fair market value. Unrealized gains have been presented on the statements of revenues and expenses and retained earnings. Adjustments to record investments at their fair market value will not be passed on to individual members until realized by the Fund as management believes that investments will be held to maturity.

See independent auditors' report regarding additional information.



# **Retrospective Adjustments**



**Michigan Transit Pool - Liability Trust Fund**  
**Summary of Retrospective Adjustments**  
**As of November 30, 2005**

DUE DECEMBER 1, 2006:	201 Alger County Transit Authority	202 Thunderbay Trans- portation Authority	204 Antim County Trans- portation Authority	205 Huron Transit Corporation	207 Bay Metropolitan Trans- portation Authority	212 Berrien County Trans- portation Authority	213 Blue Water Area Trans- portation Commission	216 Branch Transit Authority	217 City of Buchanan Dial-A-Ride	219 Cass County Public Trans- portation Authority	220 Charlevoix County Public Transit Corporation	222 Clare County Transit Corporation
<b>TOTAL</b>												
<b>1994-95 Eleventh Retrospective Adjustment</b>												
Refund Due to Member	-	-	-	-	-	-	-	-	-	-	-	-
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	-	-
<b>1995-96 Tenth Retrospective Adjustment</b>												
Refund Due to Member	-	-	-	-	-	-	-	-	-	-	-	-
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	-	-
<b>1996-97 Ninth Retrospective Adjustment</b>												
Refund Due to Member	-	-	-	-	-	-	-	-	-	-	-	-
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	-	-
<b>1997-98 Eighth Retrospective Adjustment</b>												
Refund Due to Member	-	-	-	-	-	-	-	-	-	-	-	-
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	-	-
<b>1998-99 Seventh Retrospective Adjustment</b>												
Refund Due to Member	-	-	-	-	-	-	-	-	-	-	-	-
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	-	-
<b>1999-2000 Sixth Retrospective Adjustment</b>												
Refund Due to Member	(122)	-	(113)	(228)	(944)	(239)	(783)	(44)	-	(133)	(93)	(118)
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	-	-
<b>2000-2001 Fifth Retrospective Adjustment</b>												
Refund Due to Member	-	-	-	-	-	-	-	-	-	-	-	-
Amount Due from Member	2,367	4,432	2,223	4,360	6,497	4,792	4,461	1,794	-	2,525	2,984	2,582
<b>2001-2002 Fourth Retrospective Adjustment</b>												
Refund Due to Member	-	-	-	-	-	-	-	-	-	-	-	-
Amount Due from Member	998	1,373	712	1,282	49,291	896	1,251	542	-	791	873	855
<b>2002-2003 Third Retrospective Adjustment</b>												
Refund Due to Member	(7,281)	(10,765)	(5,826)	(10,573)	-	(9,487)	(11,694)	(4,111)	(2,081)	(6,228)	(7,673)	(6,911)
Amount Due from Member	-	-	-	-	11,671	-	-	-	-	-	-	-
<b>2003-2004 Second Retrospective Adjustment</b>												
Refund Due to Member	(1,885)	(3,925)	(2,490)	(5,481)	(1,761)	(9,360)	(15,141)	(2,788)	(1,188)	(3,491)	(3,256)	(5,000)
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	-	-
<b>2004-2005 First Retrospective Adjustment</b>												
Refund Due to Member	(7,286)	(6,887)	-	(19,350)	(16,402)	(17,394)	(45,673)	(8,757)	-	(5,153)	(5,400)	(23,128)
Amount Due from Member	-	-	426	-	-	-	-	-	771	-	-	-
<b>Net (Refund) or Billing</b>	(13,209)	(15,772)	(5,068)	(29,990)	48,352	(30,792)	(67,579)	(13,365)	(2,498)	(11,689)	(12,565)	(31,720)

**Michigan Transit Pool - Liability Trust Fund  
Summary of Retrospective Adjustments  
As of November 30, 2005**

DUE DECEMBER 1, 2006:	223 Clinton Area Transit System	225 Delta Area Transit Authority	226 Eastern Upper Peninsula Transit Authority	227 Eaton County Trans- portation Authority	228 Flint Mass Trans- portation Authority	230 Gladwin County Transit Authority	232 Gogebic County Transit Authority	236 Interurban Transit Partnership	240 City of Hillsdale Dial-A-Ride	246 Isabella County Trans- portation Commission	248 Jackson Trans- portation Authority	249 Kalamazoo County Care-A-Van	250 Kalamazoo Metro Transit System	252 Capital Area Trans- portation
<b>1994-95 Eleventh Retrospective Adjustment</b>														
Refund Due to Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>1995-96 Tenth Retrospective Adjustment</b>														
Refund Due to Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>1996-97 Ninth Retrospective Adjustment</b>														
Refund Due to Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>1997-98 Eighth Retrospective Adjustment</b>														
Refund Due to Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>1998-99 Seventh Retrospective Adjustment</b>														
Refund Due to Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>1999-2000 Sixth Retrospective Adjustment</b>														
Refund Due to Member	-	(118)	(107)	(245)	(4,529)	(114)	(48)	(229)	-	(266)	(980)	-	(1,616)	(4,430)
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2000-2001 Fifth Retrospective Adjustment</b>														
Refund Due to Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount Due from Member	-	2,424	2,166	4,246	-	2,267	946	10,241	-	4,805	6,928	-	12,780	14,806
<b>2001-2002 Fourth Retrospective Adjustment</b>														
Refund Due to Member	-	-	-	-	-	-	-	(790)	-	-	-	-	-	-
Amount Due from Member	-	813	689	1,576	-	680	294	-	322	1,838	2,123	822	3,552	26,522
<b>2002-2003 Third Retrospective Adjustment</b>														
Refund Due to Member	(7,641)	(6,195)	(5,457)	(12,065)	-	(5,881)	(2,338)	(57,751)	(2,491)	(10,858)	(26,864)	(6,142)	-	(104,601)
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	-	-	16,635	-
<b>2003-2004 Second Retrospective Adjustment</b>														
Refund Due to Member	(3,899)	(2,956)	(2,608)	(4,802)	-	(2,696)	(1,140)	(154,734)	(1,096)	(5,487)	-	(1,361)	-	(30,061)
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	26,357	-	72,765	-
<b>2004-2005 First Retrospective Adjustment</b>														
Refund Due to Member	-	(7,756)	(8,208)	(15,861)	(3,048)	(21,744)	-	(136,991)	(2,264)	(37,760)	(40,956)	(1,056)	(48,020)	(142,290)
Amount Due from Member	781	-	-	-	-	-	1,760	-	-	-	-	-	-	-
<b>Net (Refund) or Billing</b>	(10,759)	(13,788)	(13,525)	(27,151)	(7,577)	(27,488)	(525)	(340,254)	(5,529)	(47,727)	(33,392)	(7,737)	56,095	(240,054)

**Michigan Transit Pool - Liability Trust Fund  
Summary of Retrospective Adjustments  
As of November 30, 2005**

DUE DECEMBER 1, 2006:	254 Greater Lapeer Trans- portation Authority	258 Ludington Mass Trans- portation Authority	260 Marquette County Transit Authority	262 Mecosta- Oscoda County Area Transit	266 Muskegon Area Transit System	268 City of Niles Dial-A- Ride	273 St. Joseph County Trans- portation Authority	274 Sanilac Trans- portation Corporation	278 Interurban Transit Authority	279 Shiawassee Area Trans- portation Authority	282 Bay Area Trans- portation Authority	286 Twin Cities Area Trans- portation Authority	288 Cadillac - Wexford Transit Authority	300 Yates Township Dial-A-Ride
<b>1994-95 Eleventh Retrospective Adjustment</b>														
Refund Due to Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>1995-96 Tenth Retrospective Adjustment</b>														
Refund Due to Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>1996-97 Ninth Retrospective Adjustment</b>														
Refund Due to Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>1997-98 Eighth Retrospective Adjustment</b>														
Refund Due to Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>1998-99 Seventh Retrospective Adjustment</b>														
Refund Due to Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>1999-2000 Sixth Retrospective Adjustment</b>														
Refund Due to Member	-	(74)	(3,273)	(158)	(546)	-	-	(80)	(51)	-	(5,495)	-	-	-
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2000-2001 Fifth Retrospective Adjustment</b>														
Refund Due to Member	-	2,051	4,059	3,185	3,084	-	-	2,065	1,047	-	6,081	-	-	-
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2001-2002 Fourth Retrospective Adjustment</b>														
Refund Due to Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount Due from Member	-	666	1,250	988	906	-	-	574	358	-	2,233	-	-	-
<b>2002-2003 Third Retrospective Adjustment</b>														
Refund Due to Member	(8,114)	(4,949)	(10,622)	(2,363)	(26,011)	(4,957)	(7,803)	(4,465)	(2,767)	-	(20,391)	-	-	(7,608)
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2003-2004 Second Retrospective Adjustment</b>														
Refund Due to Member	(4,630)	(1,844)	(12,013)	(3,142)	(10,203)	(2,242)	(3,550)	(2,164)	(1,238)	(7,881)	(43,985)	(6,043)	-	(3,146)
Amount Due from Member	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2004-2005 First Retrospective Adjustment</b>														
Refund Due to Member	(11,763)	(9,757)	(33,885)	(5,005)	-	(5,286)	(3,054)	(8,749)	(2,354)	-	(45,171)	(11,801)	(7,694)	(11,740)
Amount Due from Member	-	-	-	-	6,247	-	-	-	-	2,923	-	-	-	-
<b>Net (Refund) or Billing</b>	(24,507)	(13,907)	(54,484)	(6,496)	(26,523)	(12,485)	(14,407)	(12,819)	(5,005)	(4,958)	(106,728)	(17,845)	(7,694)	(22,494)

See independent auditors' report regarding additional information.

**Michigan Transit Pool - Liability Trust Fund**  
**Calculation of First Retrospective Adjustment**  
**Policy Period December 1, 2004 through November 30, 2005**  
**As of November 30, 2005**

	Total	201 Alger County Transit Authority	202 Thunderbay Trans- portation Authority	204 Antrim County Trans- portation Authority	205 Huron Transit Corporation	207 Bay Metropolitan Trans- portation Authority	212 Berrien County Trans- portation Authority	213 Blue Water Area Trans- portation Commission	216 Branch Area Transit Authority	217 City of Buchanan Dial-A-Ride
<b>Revenues</b>										
Initial deposits	\$ 3,018,716	\$ 29,696	\$ 34,100	\$ 20,120	\$ 52,456	\$ 124,636	\$ 40,752	\$ 93,112	\$ 24,800	\$ 3,952
Investment income	245,229	1,276	3,169	2,596	4,690	11,529	2,984	8,175	2,261	361
Contingency reserve	(111,622)	(969)	(1,619)	(1,887)	(2,153)	(6,851)	(1,619)	(5,343)	(1,212)	(537)
<b>Total Revenues</b>	<b>3,152,323</b>	<b>30,003</b>	<b>35,650</b>	<b>20,829</b>	<b>54,993</b>	<b>125,314</b>	<b>42,117</b>	<b>95,944</b>	<b>25,849</b>	<b>3,776</b>
<b>Expenses</b>										
2004-2005 paid claims as of 11-30-05										
Reserve for injuries and damages	214,158	-	-	4,838	-	3,411	-	5,161	3,495	-
Risk shared paid claims	263,429	-	-	633	2,250	15,942	-	-	-	-
Risk shared reserves	57,815	1,157	1,336	688	1,284	1,850	994	1,717	596	139
Incurred but not reported claims	43,599	872	1,007	519	968	1,395	750	1,295	449	105
Other expenses	643,288	10,356	14,408	8,362	13,122	48,756	9,005	11,256	4,181	3,023
	1,132,404	10,332	12,012	6,215	18,019	41,558	13,974	30,842	8,371	1,280
<b>Total Expenses</b>	<b>2,354,695</b>	<b>22,717</b>	<b>28,763</b>	<b>21,255</b>	<b>35,643</b>	<b>112,912</b>	<b>24,723</b>	<b>50,271</b>	<b>17,092</b>	<b>4,547</b>
<b>Excess (Deficiency) of Revenues over Expenses</b>	<b>797,628</b>	<b>7,286</b>	<b>6,887</b>	<b>(426)</b>	<b>19,350</b>	<b>16,402</b>	<b>17,394</b>	<b>45,673</b>	<b>8,757</b>	<b>(771)</b>
<b>Refund Due to Member</b>	<b>(777,643)</b>	<b>(7,286)</b>	<b>(6,887)</b>	<b>-</b>	<b>(19,350)</b>	<b>(16,402)</b>	<b>(17,394)</b>	<b>(45,673)</b>	<b>(8,757)</b>	<b>-</b>
<b>Amount Due From Member</b>	<b>12,908</b>	<b>-</b>	<b>-</b>	<b>426</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>771</b>
<b>Net Assets</b>	<b>\$ 32,893</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Michigan Transit Pool - Liability Trust Fund  
Calculation of First Retrospective Adjustment**

	219 Cass County Public Trans- portation Authority	220 Charlevoix County Public Transit	222 Clare County Corporation	223 Clinton Area Transit System	225 Delta Area Transit Authority	226 Eastern Upper Peninsula Transit Authority	227 Eaton County Trans- portation Authority	228 Flint Mass Trans- portation Authority	230 Gladwin County Transit	232 Goebble County Transit	236 Interurban Transit Partnership
<b>Revenues</b>											
Initial deposits	\$ 19,160	\$ 28,356	\$ 39,184	\$ 19,748	\$ 23,824	\$ 20,404	\$ 61,336	\$ 131,200	\$ 41,804	\$ 8,128	\$ 456,544
Investment income	2,650	3,526	7,805	1,298	2,804	2,711	5,472	1,523	6,819	1,093	25,805
Contingency reserve	(1,249)	(943)	-	(1,887)	(1,911)	-	(3,055)	-	(1,619)	(538)	(17,631)
<b>Total Revenues</b>	<b>20,561</b>	<b>30,939</b>	<b>46,989</b>	<b>19,159</b>	<b>24,717</b>	<b>23,115</b>	<b>63,753</b>	<b>132,723</b>	<b>47,004</b>	<b>8,683</b>	<b>464,718</b>
<b>Expenses</b>											
2004-2005 paid claims as of 11-30-05	-	4,099	-	2,150	-	-	7,095	-	2,552	252	60,608
Reserve for injuries and damages	-	901	-	-	-	-	-	-	-	3,998	69,580
Risk shared paid claims	694	1,098	983	734	538	734	2,301	-	804	289	6,319
Risk shared reserves	523	829	741	554	405	554	1,735	-	605	218	4,766
Incurred but not reported claims	7,976	8,748	8,298	9,906	8,426	7,011	16,081	-	6,882	3,023	28,945
Other expenses	6,215	9,864	13,839	6,596	7,592	6,608	20,680	129,675	14,417	2,663	157,509
<b>Total Expenses</b>	<b>15,408</b>	<b>25,539</b>	<b>23,861</b>	<b>19,940</b>	<b>16,961</b>	<b>14,907</b>	<b>47,892</b>	<b>129,675</b>	<b>25,260</b>	<b>10,443</b>	<b>327,727</b>
<b>Excess (Deficiency) of Revenues over Expenses</b>	<b>5,153</b>	<b>5,400</b>	<b>23,128</b>	<b>(781)</b>	<b>7,756</b>	<b>8,208</b>	<b>15,861</b>	<b>3,048</b>	<b>21,744</b>	<b>(1,760)</b>	<b>136,991</b>
<b>Refund Due to Member</b>	<b>(5,153)</b>	<b>(5,400)</b>	<b>(23,128)</b>	<b>-</b>	<b>(7,756)</b>	<b>(8,208)</b>	<b>(15,861)</b>	<b>(3,048)</b>	<b>(21,744)</b>	<b>-</b>	<b>(136,991)</b>
<b>Amount Due From Member</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>781</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,760</b>	<b>-</b>
<b>Net Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,760</b>	<b>\$ -</b>

# Michigan Transit Pool - Liability Trust Fund Calculation of First Retrospective Adjustment

Policy Period December 1, 2004 through November 30, 2005  
As of November 30, 2005

	240 City of Hillsdale Dial-A-Ride	246 Isabella County Trans- portation Commission	248 Jackson Trans- portation Authority	249 Kalamazoo County Care-A-Van	250 Kalamazoo Metro Transit System	252 Capital Area Trans- portation	254 Greater Lapeer Trans- portation Authority	258 Ludington Mass Trans- portation Authority	260 Marquette County Transit Authority	262 Mecosta- Oceola County Area Transit
<b>Revenues</b>										
Initial deposits	\$ 8,504	\$ 77,588	\$ 119,956	\$ 30,248	\$ 230,520	\$ 714,854	\$ 39,772	\$ 24,824	\$ 69,476	\$ 23,272
Investment income	1,112	10,604	9,320	2,480	12,904	42,897	2,281	3,141	6,859	2,639
Contingency reserve	(537)	(3,098)	(3,497)	(1,619)	(9,417)	(18,703)	(1,077)	(1,073)	(3,367)	(1,887)
<b>Total Revenues</b>	9,079	85,094	125,779	31,109	234,007	739,048	40,976	26,892	72,968	24,024
<b>Expenses</b>										
2004-2005 paid claims as of 11-30-05	-	198	7,553	5,669	18,033	61,054	718	653	2,344	-
Reserve for injuries and damages	-	-	-	3,610	4,110	143,457	-	-	-	-
Risk shared paid claims	330	1,896	2,341	757	3,879	10,147	1,601	601	1,307	815
Risk shared reserves	249	1,430	1,766	571	2,926	7,652	1,208	453	985	615
Incurred but not reported claims	3,280	17,174	31,132	8,812	77,959	121,377	11,321	6,947	10,999	10,292
Other expenses	2,956	26,636	42,031	10,634	79,080	253,071	14,365	8,481	23,448	7,297
<b>Total Expenses</b>	6,815	47,334	84,823	30,053	185,987	596,758	29,213	17,135	39,083	19,019
<b>Excess (Deficiency) of Revenues over Expenses</b>	2,264	37,760	40,956	1,056	48,020	142,290	11,763	9,757	33,885	5,005
<b>Refund Due to Member</b>	(2,264)	(37,760)	(40,956)	(1,056)	(48,020)	(142,290)	(11,763)	(9,757)	(33,885)	(5,005)
<b>Amount Due From Member</b>	-	-	-	-	-	-	-	-	-	-
<b>Net Assets</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

# Michigan Transit Pool - Liability Trust Fund Calculation of First Retrospective Adjustment

Policy Period December 1, 2004 through November 30, 2005  
As of November 30, 2005

	266 Muskegon Area Transit System	268 City of Niles Dial-A- Ride	273 St Joseph County Trans- portation Authority	274 Sanilac Trans- portation Corporation	278 Interurban Transit Authority	279 Shiawassee Area Trans- portation Authority	282 Bay Area Trans- portation Authority	286 Twin Cities Area Trans- portation Authority	288 Cadillac - Wexford Transit Authority	300 Yates Township Dial-A-Ride	200 Michigan Transit Pool
<b>Revenues</b>											
Initial deposits	\$ 59,176	\$ 19,948	\$ 24,212	\$ 25,000	\$ 9,880	\$ 20,992	\$ 116,168	\$ 33,480	\$ 31,772	\$ 52,362	\$ 13,400
Investment income	11,297	1,120	1,845	3,965	803	908	8,398	1,728	597	2,291	19,493
Contingency reserve	(3,635)	(1,212)	(1,887)	-	(536)	(116)	(3,635)	(174)	(3,510)	(1,619)	-
<b>Total Revenues</b>	<b>66,838</b>	<b>19,856</b>	<b>24,170</b>	<b>28,965</b>	<b>10,147</b>	<b>21,784</b>	<b>120,931</b>	<b>35,034</b>	<b>28,859</b>	<b>53,034</b>	<b>32,893</b>
<b>Expenses</b>											
2004-2005 paid claims as of 11-30-05											
Reserve for injuries and damages	1,951	500	1,070	832	-	7,722	11,984	216	-	-	-
Risk shared paid claims	14,467	-	-	3,811	-	-	670	-	-	-	-
Risk shared reserves	867	775	919	607	387	873	2,261	838	1,006	1,353	-
Incurred but not reported claims	654	584	693	438	292	638	1,705	632	759	1,020	-
Other expenses	35,570	5,725	10,163	5,918	3,666	7,590	18,589	9,841	10,356	8,812	-
	19,576	6,986	8,271	8,590	3,448	7,864	40,551	11,706	9,044	30,109	-
<b>Total Expenses</b>	<b>73,085</b>	<b>14,570</b>	<b>21,116</b>	<b>20,216</b>	<b>7,793</b>	<b>24,707</b>	<b>75,760</b>	<b>23,233</b>	<b>21,165</b>	<b>41,294</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues over Expenses</b>	<b>(6,247)</b>	<b>5,286</b>	<b>3,054</b>	<b>8,749</b>	<b>2,354</b>	<b>(2,923)</b>	<b>45,171</b>	<b>11,801</b>	<b>7,694</b>	<b>11,740</b>	<b>32,893</b>
<b>Refund Due to Member</b>	<b>-</b>	<b>(5,286)</b>	<b>(3,054)</b>	<b>(8,749)</b>	<b>(2,354)</b>	<b>-</b>	<b>(45,171)</b>	<b>(11,801)</b>	<b>(7,694)</b>	<b>(11,740)</b>	<b>-</b>
<b>Amount Due From Member</b>	<b>6,247</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,923</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 32,893</b>

See independent auditors' report regarding additional information.

**As of November 30, 2005**

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**As of November 30, 2005**

**Michigan Transit Pool - Liability Trust Fund  
Calculation of Second Retrospective Adjustment  
Policy Period December 1, 2003 through November 30, 2004  
As of November 30, 2005**

	236 Interurban Partnership	240 City of Hillsdale Dial-A-Ride	246 Isabella County Trans- portation Commission	248 Jackson Trans- portation Authority	249 Kalamazoo County Care-A-Van	250 Kalamazoo Metro Transit System	252 Capital Area Trans- portation	254 Greater Lapeer Trans- portation Authority	258 Ludington Mass Trans- portation Authority	260 Marquette County Transit Authority	262 Mecosta- Oscoda County Area Transit
<b>Revenues</b>											
Initial deposits	\$ 457,164	\$ 8,508	\$ 65,328	\$ 118,584	\$ 29,268	\$ 227,740	\$ 736,655	\$ 33,492	\$ 26,384	\$ 69,784	\$ 23,164
Investment income	22,226	937	9,752	7,569	1,683	7,418	31,141	1,723	2,766	5,821	2,044
Contingency reserve	-	(537)	-	-	(1,619)	-	-	(116)	-	-	-
Plus (minus) first retrospective adjustment	(81,847)	(3,213)	(39,476)	(21,113)	(11,152)	(87,844)	(193,299)	(12,059)	(14,011)	(31,998)	(7,042)
<b>Total Revenues</b>	<b>397,543</b>	<b>5,695</b>	<b>35,604</b>	<b>105,040</b>	<b>18,180</b>	<b>147,314</b>	<b>574,497</b>	<b>23,040</b>	<b>15,139</b>	<b>43,607</b>	<b>18,166</b>
<b>Expenses</b>											
2003-2004 paid claims as of 11-30-05											
Reserve for injuries and damages	52,434	-	-	13,106	2,471	70,379	129,099	475	1,082	3,974	2,228
Risk shared paid claims	32,198	-	-	62,618	-	33,809	75,222	-	-	-	-
Risk shared reserves	2,062	107	512	754	237	1,249	3,148	-	-	-	-
Incurred but not reported claims	17,023	1,929	10,101	18,310	5,183	45,850	71,382	449	209	426	264
Other expenses	139,092	2,563	19,504	36,607	8,928	68,792	265,585	6,658	4,086	6,469	6,053
<b>Total Expenses</b>	<b>242,809</b>	<b>4,599</b>	<b>30,117</b>	<b>131,397</b>	<b>16,819</b>	<b>220,079</b>	<b>544,436</b>	<b>18,410</b>	<b>13,295</b>	<b>31,594</b>	<b>15,024</b>
<b>Excess (Deficiency) of Revenues Over Expenses</b>	<b>154,734</b>	<b>1,096</b>	<b>5,487</b>	<b>(26,357)</b>	<b>1,361</b>	<b>(72,765)</b>	<b>30,061</b>	<b>4,630</b>	<b>1,844</b>	<b>12,013</b>	<b>3,142</b>
<b>Refund Due to Member</b>	<b>(154,734)</b>	<b>(1,096)</b>	<b>(5,487)</b>	<b>-</b>	<b>(1,361)</b>	<b>-</b>	<b>(30,061)</b>	<b>(4,630)</b>	<b>(1,844)</b>	<b>(12,013)</b>	<b>(3,142)</b>
<b>Amount Due From Member</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,357</b>	<b>-</b>	<b>72,765</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Michigan Transit Pool - Liability Trust Fund**  
**Calculation of Second Retrospective Adjustment**  
**Policy Period December 1, 2003 through November 30, 2004**  
**As of November 30, 2005**

	266	268	273	274	278	279	282	286	300	200
	Muskegon	City of	St Joseph	Sauk	Interurban	Shiawassee	Bay	Twin Cities	Yates	Michigan
	Area	Niles	County	Transit	Transit	Transit	Area	Transit	Township	Transit
	System	Dial-A-	Authority	Corporation	Authority	Authority	Transit	Authority	Dial-A-Ride	Pool
<b>Revenues</b>										
Initial deposits	\$ 57,048	\$ 16,320	\$ 24,864	\$ 23,148	\$ 9,504	\$ 27,224	\$ 125,296	\$ 43,976	\$ 33,052	\$ 12,600
Investment income	11,259	873	1,461	3,743	679	578	5,261	1,001	1,596	20,032
Contingency reserve	-	(130)	(204)	-	-	(3,900)	-	(5,850)	(174)	-
Plus (minus) first retrospective adjustment	(14,148)	(5,946)	(7,095)	(14,126)	(3,910)	(1,370)	(24,294)	(15,420)	(14,390)	(32,632)
<b>Total Revenues</b>	<b>54,159</b>	<b>11,117</b>	<b>19,026</b>	<b>12,765</b>	<b>6,273</b>	<b>22,532</b>	<b>106,263</b>	<b>23,707</b>	<b>20,084</b>	<b>-</b>
<b>Expenses</b>										
2003-2004 paid claims as of 11-30-05	5,295	-	1,149	-	-	2,784	12,021	1,866	651	-
Reserve for injuries and damages	1,000	-	-	-	-	-	-	-	-	-
Risk shared paid claims	-	-	-	-	-	-	-	-	-	-
Risk shared reserves	271	218	332	182	114	296	796	259	441	-
Incurred but not reported claims	20,920	3,367	5,977	3,480	2,156	4,464	10,933	5,788	5,183	-
Other expenses	16,470	5,290	8,018	6,939	2,765	7,107	38,528	9,751	10,663	-
<b>Total Expenses</b>	<b>43,956</b>	<b>8,875</b>	<b>15,476</b>	<b>10,601</b>	<b>5,035</b>	<b>14,651</b>	<b>62,278</b>	<b>17,664</b>	<b>16,938</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over Expenses</b>	<b>10,203</b>	<b>2,242</b>	<b>3,550</b>	<b>2,164</b>	<b>1,238</b>	<b>7,881</b>	<b>43,985</b>	<b>6,043</b>	<b>3,146</b>	<b>-</b>
<b>Refund Due to Member</b>	<b>(10,203)</b>	<b>(2,242)</b>	<b>(3,550)</b>	<b>(2,164)</b>	<b>(1,238)</b>	<b>(7,881)</b>	<b>(43,985)</b>	<b>(6,043)</b>	<b>(3,146)</b>	<b>-</b>
<b>Amount Due From Member</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See independent auditors' report regarding additional information.

# Michigan Transit Pool - Liability Trust Fund Calculation of Third Retrospective Adjustment

Policy Period December 1, 2002 through November 30, 2003  
As of November 30, 2005

	Total	201 Alger County Transit Authority	202 Thunderbay Trans- portation Authority	204 Antrim County Trans- portation	205 Huron Transit Corporation	207 Bay Metropolitan Trans- portation Authority	212 Benien County Public Trans- portation	213 Blue Water Area Trans- portation Commission	216 Branch Area Transit Authority	217 City of Buchanan Dial-A-Ride
<b>Revenues</b>										
Initial deposits	\$ 2,811,172	\$ 23,844	\$ 26,892	\$ 16,516	\$ 42,252	\$ 97,652	\$ 48,836	\$ 63,640	\$ 18,276	\$ 8,856
Investment income	189,876	1,151	2,265	2,599	3,349	13,098	2,586	9,274	2,120	193
Contingency reserve	(55,906)	(969)	(1,619)	-	(2,153)	(6,851)	-	(5,343)	-	(1,950)
Plus (minus) first retrospective adjustment	(395,226)	(5,073)	(2,371)	(5,334)	2,421	13,270	(7,128)	42,303	(7,824)	(2,927)
Plus (minus) second retrospective adjustment	(309,854)	57	3,359	2,786	(2,735)	(22,521)	(4,874)	(26,808)	1,336	(553)
<b>Total Revenues</b>	<b>2,240,062</b>	<b>19,010</b>	<b>28,526</b>	<b>16,567</b>	<b>43,134</b>	<b>94,648</b>	<b>39,420</b>	<b>83,066</b>	<b>13,908</b>	<b>3,619</b>
<b>Expenses</b>										
2002-2003 paid claims as of 11-30-05	400,640	1,077	5,000	3,645	15,139	55,084	-	42,531	2,609	-
Reserve for injuries and damages	96,602	-	-	-	-	10,180	-	-	-	-
Risk shared paid claims	13,467	273	319	175	307	436	233	303	130	34
Risk shared reserves	39,065	793	926	508	891	1,266	676	879	379	97
Incurred but not reported claims	84,468	1,421	1,977	1,148	1,801	6,691	1,236	1,545	574	415
Other expenses	1,203,162	8,165	9,539	5,265	14,423	32,662	27,788	26,114	6,105	992
<b>Total Expenses</b>	<b>1,837,404</b>	<b>11,729</b>	<b>17,761</b>	<b>10,741</b>	<b>32,561</b>	<b>106,319</b>	<b>29,933</b>	<b>71,372</b>	<b>9,797</b>	<b>1,538</b>
<b>Excess (Deficiency) of Revenues Over Expenses</b>	<b>402,658</b>	<b>7,281</b>	<b>10,765</b>	<b>5,826</b>	<b>10,573</b>	<b>(11,671)</b>	<b>9,487</b>	<b>11,694</b>	<b>4,111</b>	<b>2,081</b>
<b>Refund Due to Member</b>	<b>(430,964)</b>	<b>(7,281)</b>	<b>(10,765)</b>	<b>(5,826)</b>	<b>(10,573)</b>	<b>-</b>	<b>(9,487)</b>	<b>(11,694)</b>	<b>(4,111)</b>	<b>(2,081)</b>
<b>Amount Due From Member</b>	<b>28,306</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,671</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Michigan Transit Pool - Liability Trust Fund**  
**Calculation of Third Retrospective Adjustment**  
**Policy Period December 1, 2002 through November 30, 2003**  
**As of November 30, 2005**

	219 Cass County Public Trans- portation Authority	220 Charlevoix County Public Transit	222 Clare County Transit Corporation	223 Clinton Area Transit System	225 Delta Area Transit Authority	226 Eastern Upper Penninsula Transit Authority	227 Eaton County Trans- portation Authority	228 Flint Mass Trans- portation Authority	230 Gladwin County City- County Transit	232 Gogebic County Transit
<b>Revenues</b>										
Initial deposits	\$ 16,160	\$ 28,084	\$ 31,680	\$ 28,996	\$ 25,532	\$ 15,508	\$ 39,472	\$ 357,616	\$ 38,560	\$ 6,372
Investment income	2,392	3,053	7,398	589	2,659	2,389	4,047	1,707	5,051	963
Contingency reserve	-	-	(1,076)	(6,825)	(1,911)	(1,345)	(3,055)	-	-	(538)
Plus (minus) first retrospective adjustment	(2,211)	(11,748)	(15,248)	2,742	1,741	(3,260)	(9,005)	(1,708)	(19,483)	(1,216)
Plus (minus) second retrospective adjustment	(1,479)	703	55	(2,463)	(27)	(1,098)	(2,436)	(0)	(1,447)	(495)
<b>Total Revenues</b>	<b>14,862</b>	<b>20,092</b>	<b>22,809</b>	<b>23,039</b>	<b>27,994</b>	<b>12,194</b>	<b>29,023</b>	<b>357,615</b>	<b>22,681</b>	<b>5,086</b>
<b>Expenses</b>										
2002-2003 paid claims as of 11-30-05	1,504	185	2,856	6,713	11,463	-	-	-	1,791	-
Reserve for injuries and damages	-	-	-	-	-	-	-	-	-	-
Risk shared paid claims	178	325	234	216	182	170	436	-	221	70
Risk shared reserves	516	941	680	624	527	492	1,266	-	641	203
Incurred but not reported claims	1,095	1,201	1,139	1,359	1,156	962	2,207	-	945	415
Other expenses	5,341	9,767	10,989	6,486	8,471	5,113	13,049	357,615	13,202	2,060
<b>Total Expenses</b>	<b>8,634</b>	<b>12,419</b>	<b>15,898</b>	<b>15,398</b>	<b>21,799</b>	<b>6,737</b>	<b>16,958</b>	<b>357,615</b>	<b>16,800</b>	<b>2,748</b>
<b>Excess (Deficiency) of Revenues Over Expenses</b>	<b>6,228</b>	<b>7,673</b>	<b>6,911</b>	<b>7,641</b>	<b>6,195</b>	<b>5,457</b>	<b>12,065</b>	<b>-</b>	<b>5,881</b>	<b>2,338</b>
<b>Refund Due to Member</b>	<b>(6,228)</b>	<b>(7,673)</b>	<b>(6,911)</b>	<b>(7,641)</b>	<b>(6,195)</b>	<b>(5,457)</b>	<b>(12,065)</b>	<b>-</b>	<b>(5,881)</b>	<b>(2,338)</b>
<b>Amount Due From Member</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Michigan Transit Pool - Liability Trust Fund**  
**Calculation of Third Retrospective Adjustment**  
**Policy Period December 1, 2002 through November 30, 2003**  
**As of November 30, 2005**

	236	240	246	248	249	250	252	254	258	260	262
	Interurban	City of	Isabella	Jackson	Kalamazoo	Kalamazoo	Capital	Greater	Ludington	Marquette	Mecosta-
	Transit	Hillsdale	County	Trans-	Kalamazoo	Metro	Area	Lapeer	Mass	County	Oscoda
	Partnership	Dial-A-Ride	Trans-	portation	County	Transit	Trans-	portation	Trans-	County	County
			Commission	Authority	Care-A-Van	System	portation	Authority	Authority	Authority	Area
											Transit
<b>Revenues</b>											
Initial deposits	\$ 349,512	\$ 6,536	\$ 66,940	\$ 124,780	\$ 22,752	\$ 177,156	\$ 625,540	\$ 35,540	\$ 24,896	\$ 58,920	\$ 20,076
Investment income	22,208	576	7,151	7,657	871	8,565	24,404	670	2,761	4,874	2,778
Contingency reserve	-	(58)	-	-	(174)	-	-	(3,900)	-	-	-
Plus (minus) first retrospective adjustment	(144,732)	(889)	(8,966)	28,158	(6,325)	(3,883)	(59,457)	(13,565)	(9,774)	(9,809)	4,338
Plus (minus) second retrospective adjustment	14,189	(380)	(10,307)	(24,763)	(518)	(48,058)	(133,305)	3,765	(434)	(17,476)	(6,555)
<b>Total Revenues</b>	<b>241,177</b>	<b>5,785</b>	<b>54,818</b>	<b>135,832</b>	<b>16,606</b>	<b>133,780</b>	<b>457,182</b>	<b>22,510</b>	<b>17,449</b>	<b>36,509</b>	<b>20,637</b>
<b>Expenses</b>											
2002-2003 paid claims as of 11-30-05											
Reserve for injuries and damages	52,846	-	7,393	31,406	-	29,508	69,648	5,000	2,286	3,087	4,672
Risk shared paid claims	-	-	9,329	26,804	-	43,432	-	-	-	-	4,857
Risk shared reserves	1,607	84	490	727	182	1,014	2,393	230	183	332	217
Incurring but not reported claims	4,660	242	1,422	2,110	527	2,942	6,942	668	531	965	629
Other expenses	3,972	450	2,357	4,272	1,209	10,699	16,657	1,554	953	1,509	1,412
	120,341	2,518	22,969	43,649	8,546	60,820	256,941	6,944	8,547	19,994	6,487
<b>Total Expenses</b>	<b>183,426</b>	<b>3,294</b>	<b>43,960</b>	<b>108,968</b>	<b>10,464</b>	<b>150,415</b>	<b>352,581</b>	<b>14,396</b>	<b>12,500</b>	<b>25,887</b>	<b>18,274</b>
<b>Excess (Deficiency) of Revenues Over Expenses</b>	<b>57,751</b>	<b>2,491</b>	<b>10,858</b>	<b>26,864</b>	<b>6,142</b>	<b>(16,635)</b>	<b>104,601</b>	<b>8,114</b>	<b>4,949</b>	<b>10,622</b>	<b>2,363</b>
<b>Refund Due to Member</b>	<b>(57,751)</b>	<b>(2,491)</b>	<b>(10,858)</b>	<b>(26,864)</b>	<b>(6,142)</b>	<b>-</b>	<b>(104,601)</b>	<b>(8,114)</b>	<b>(4,949)</b>	<b>(10,622)</b>	<b>(2,363)</b>
<b>Amount Due From Member</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,635</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Michigan Transit Pool - Liability Trust Fund**  
**Calculation of Third Retrospective Adjustment**  
**Policy Period December 1, 2002 through November 30, 2003**  
**As of November 30, 2005**

	266	268	273	274	278	279	282	286	300	200
	Muskegon	City of	St Joseph	Sanilac	Interurban	Shiawassee	Bay	Twin Cities	Yates	Michigan
	Area	Niles	County	Trans-	Transit	Area	Area	Area	Township	Transit
	System	Dial-A-	Trans-	poration	Authority	poration	poration	Authority	Dial-A-Ride	Pool
<b>Revenues</b>										
Initial deposits	\$ 45,868	\$ 23,860	\$ 34,076	\$ 17,756	\$ 8,020	\$ -	\$ 104,436	\$ -	\$ 34,364	\$ 95,400
Investment income	11,494	469	713	3,331	782	34	5,486	55	684	17,429
Contingency reserve	-	(4,388)	(6,825)	(1,076)	-	-	-	-	(5,850)	-
Plus (minus) first retrospective adjustment	(8,765)	(6,074)	(6,319)	(7,608)	(2,134)	(34)	15,932	(55)	(10,375)	-
Plus (minus) second retrospective adjustment	1,044	(750)	(1,706)	(674)	(375)	-	(25,602)	-	690	(112,829)
<b>Total Revenues</b>	<b>49,641</b>	<b>13,117</b>	<b>19,939</b>	<b>11,729</b>	<b>6,293</b>	<b>-</b>	<b>100,252</b>	<b>-</b>	<b>19,513</b>	<b>-</b>
<b>Expenses</b>										
2002-2003 paid claims as of 11-30-05	2,693	819	2,899	-	-	-	38,786	-	-	-
Reserve for injuries and damages	-	-	-	-	-	-	-	-	-	-
Risk shared paid claims	203	194	230	128	90	-	603	-	317	-
Risk shared reserves	590	563	669	371	262	-	1,750	-	918	-
Incurred but not reported claims	4,881	786	1,395	812	503	-	2,551	-	1,209	-
Other expenses	15,263	5,798	6,943	5,953	2,671	-	36,171	-	9,461	-
<b>Total Expenses</b>	<b>23,630</b>	<b>8,160</b>	<b>12,136</b>	<b>7,264</b>	<b>3,526</b>	<b>-</b>	<b>79,861</b>	<b>-</b>	<b>11,905</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over Expenses</b>	<b>26,011</b>	<b>4,957</b>	<b>7,803</b>	<b>4,465</b>	<b>2,767</b>	<b>-</b>	<b>20,391</b>	<b>-</b>	<b>7,608</b>	<b>-</b>
<b>Refund Due to Member</b>	<b>(26,011)</b>	<b>(4,957)</b>	<b>(7,803)</b>	<b>(4,465)</b>	<b>(2,767)</b>	<b>-</b>	<b>(20,391)</b>	<b>-</b>	<b>(7,608)</b>	<b>-</b>
<b>Amount Due From Member</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See independent auditors' report regarding additional information.